PUBLIC ACCOUNTS

OF THE

PROVINCE OF NOVA SCOTIA

FOR THE

Fiscal Year Ended March 31

1998

VOLUME 1 - FINANCIAL STATEMENTS

PRINTED BY ORDER OF THE LEGISLATURE

Nova Scotia

HALIFAX, N.S.
1998

To His Honour,

The Honourable J. James Kinley, CD,SM,PEng., FEIC.

Lieutenant Governor of Nova Scotia

May It Please Your Honour —

The Undersigned has the honour to submit the Public Accounts of the Province of Nova Scotia for the fiscal year ended March 31, 1998.

Donald R. Downe
Minister of Finance

Office of the Minister
Halifax, N.S.

The Honourable Donald R. Downe
Minister of Finance
Halifax, Nova Scotia

Sir:

In accordance with Section 9(1) of the Provincial Financial Act, I have the honour to submit the Public Accounts of the Province of Nova Scotia for the fiscal year ended March 31, 1998.

Respectfully submitted,

Bernard G. Smith, CA
Deputy Minister of Finance

Halifax, N.S.

103-06018/

PROVINCE OF NOVA SCOTIA

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PROVINCE OF NOVA SCOTIA

Additional Appropriations Relative to The Fiscal Year Ended March 31, 1998

Department	Date of Order-in-Council		Amount (Note) (in thousands)
Agriculture and Marketing	June 30, 1998	$	1,421
Business and Consumer Services	June 30, 1998		678
Community Services	May 5, 1998		9,050
Economic Development and Tourism	June 30, 1998		14,095
Fisheries and Aquaculture	June 30, 1998		219
Natural Resources	June 30, 1998		2,844
Public Service			
Government Contributions to Benefit Plans	May 5, 1998		168
Government Contributions to Benefit Plans	June 30, 1998		5
Human Rights Commission	May 5, 1998		125
Legislative Services	May 5, 1998		6,698
Office of the Ombudsman	May 5, 1998		65
Public Inquiry, Westray Mine	May 5, 1998		275
Public Prosecution Service	May 5, 1998		836
Technology and Science Secretariat	June 30, 1998		2,163

Note: A resolution will be introduced into the Legislature seeking authoriztion to increase Net Program spending by a further $184.335 million.

AUDITORS' REPORT

The Honourable Donald R. Downe,
Minister of Finance,
Province of Nova Scotia,
Halifax, Nova Scotia.

Sir:

We have audited the statements of financial position of the Province of Nova Scotia as at March 31, 1998 and 1997 and the statements of revenue and expenditures, net direct debt and changes in financial position for the years then ended together with notes (numbered 1 to 8 inclusive) to the financial statements and the supporting Schedules (numbered 1 to 5 inclusive). These financial statements are the responsibility of the Province. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by senior officials, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with the accounting policies stated in the notes to the financial statements.

DELOITTE & TOUCHE
Chartered Accountants

Toronto, Ontario
July 21, 1998

Statement 1

PROVINCE OF NOVA SCOTIA

Statement of Financial Position
as at March 31, 1998

Schedule Number		1998	1997 (as restated)
		(in thousands)	
	Assets		
	Cash and short-term investments	$ 724,950	$ 113,365
9	Accounts receivable and advances	1,027,212	623,911
3	Loans and investments	443,805	551,528
18,19	Unamortized foreign exchange translation losses and discounts	604,938	597,978
		$ 2,800,905	$ 1,886,782
	Liabilities		
	Bank advances and short-term borrowings	$ 826,169	$ 395,132
15	Accounts payable	459,422	376,145
	Deferred Revenue - fiscal arrangements (Note 3)	228,889	351,035
	Accrued interest	264,295	255,479
4	Unmatured debt	8,527,367	7,766,817
	Pension and retirement obligations (Note 4)	291,138	866,749
	Deficiency in net assets of certain Crown Corporations (Note 6)	572,755	463,911
		11,170,035	10,475,268
	Net Direct Debt	(8,369,130)	(8,588,486)
		$ 2,800,905	$ 1,886,782
22	**Trust Funds under Administration (Note 7)**	$ 5,914,738	$ 4,857,576

Contingent Liabilities and Commitments (Note 8)

Statement 2

PROVINCE OF NOVA SCOTIA

Statement of Revenue and Expenditures
for the fiscal year ended March 31, 1998

	1998		1997
	Estimate	Actual (in thousands)	Actual
Revenue (Schedule 1)	$ 4,240,674	$ 4,446,761	$ 4,246,045
Net Program Expenditures (Schedule 2)	3,509,422	3,742,852	3,550,555
Excess of Revenue over Net Program Expenditures	731,252	703,909	695,490
Debt Servicing Costs	855,180	797,785	811,082
Sinking Fund Earnings	127,900	132,372	123,868
Budgetary Surplus	3,972	38,496	8,276
Less:			
Provision for Distribution of Budgetary Surplus (Note 9)	---	10,000	---
Retained Budgetary Surplus	$ 3,972	$ 28,496	$ 8,276

Statement 3

PROVINCE OF NOVA SCOTIA

Statement of Net Direct Debt
for the fiscal year ended March 31, 1998

	1998	1997 (as restated)
	(in thousands)	
Net Direct Debt - as originally reported	$ 8,588,486	$ 8,715,592
Prior Period Adjustments (Note 2)	—	15,443
Net Direct Debt	8,588,486	8,731,035
Add (Deduct):		
Retained Budgetary Surplus for the year	(28,496)	(8,276)
Change in deficiency in net assets of certain Crown Corporations (Note 6)	109,279	(9,029)
Adjustment to Net Unfunded Pension Obligations (Note 4)	(300,139)	(125,244)
Decrease in Net Direct Debt	(219,356)	(142,549)
Net Direct Debt - end of year	$ 8,369,130	$ 8,588,486

Statement 4

PROVINCE OF NOVA SCOTIA

Statement of Changes in Financial Position
for the fiscal year ended March 31, 1998

	1998	1997 (as restated)
	(in thousands)	
Cash inflow (outflow) from the following activities:		
Operating:		
Budgetary Surplus	$ 38,496	$ 8,276
Provision for Distribution of Budgetary Surplus	(10,000)	—
Sinking Fund Earnings	(132,372)	(123,868)
Changes in Receivables, Payables and Other Items	(434,564)	72,141
	(538,440)	(43,451)
Investing:		
Repayment of Loans, net of Advances	107,723	8,043
Other	—	(555)
	107,723	7,488
Financing:		
Debentures Issued	1,577,639	833,033
Payments to Public Debt Retirement Fund	(800)	—
Sinking Fund Instalments and Serial Retirements	(185,823)	(210,507)
Repayment of Debentures and Other Long-Term Obligations	(779,751)	(682,404)
	611,265	(59,878)
Cash inflow (outflow)	180,548	(95,841)
Cash Position, Beginning of Year	(281,767)	(185,926)
Cash Position, End of Year	$ (101,219)	$ (281,767)
Cash Position:		
Cash and Short-term Investments	$ 724,950	$ 113,365
Bank Advances and Short-term Borrowings	(826,169)	(395,132)
	$ (101,219)	$ (281,767)

Schedule 1

PROVINCE OF NOVA SCOTIA

Schedule of Revenue
for the fiscal year ended March 31, 1998

	1998		1997
	Estimate	Actual (in thousands)	Actual
Provincial Sources			
Income Taxes	$ 1,052,123	$ 1,119,244	$ 1,063,839
Sales Taxes	993,087	1,019,668	1,025,995
Interest Revenue	33,664	34,852	35,567
Liquor Commission	116,693	118,477	116,104
Gaming Revenue	143,024	141,172	133,388
Other Provincial Revenue	192,907	182,675	162,990
Net Proceeds (loss) on Sale of Crown Assets	---	(213)	854
Federal Sources			
Equalization	1,149,788	1,194,359	1,115,691
Equalization Offshore Revenue Offset	710	990	---
Canada Health and Social Transfer	437,771	438,669	536,412
Federal Compensation for Harmonization	118,600	118,600	---
Other Federal Payments	2,307	2,306	2,306
Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	---	75,962	52,899
	$ 4,240,674	$ 4,446,761	$ 4,246,045

Schedule 2

PROVINCE OF NOVA SCOTIA

Schedule of Net Program Expenditures for the fiscal year ended March 31, 1998

	1998		1997
	Estimate	Actual	Actual
	(in thousands)		
Agriculture and Marketing	$ 32,102	$ 33,480	$ 32,322
Business and Consumer Services	38,063	38,565	35,129
Community Services	548,245	556,825	544,931
Economic Development and Tourism	72,863	86,931	67,057
Education and Culture	771,763	771,649	783,844
Assistance to Universities	182,980	182,980	187,832
Environment	18,053	17,019	18,599
Finance	9,666	9,430	8,782
Fisheries and Aquaculture	6,144	6,355	6,198
Health	1,286,097	1,426,686	1,286,226
Housing and Municipal Affairs	103,263	96,864	93,312
Human Resources	4,032	4,003	4,029
Justice	75,257	75,257	89,621
Labour	10,838	24,145	14,676
Natural Resourses	57,299	59,528	53,677
Public Service	47,406	55,822	47,757
Transportation and Public Works	255,841	263,180	240,936
Restructuring Costs	31,510	54,267	35,627
Unallocated Recoveries	(42,000)	(20,134)	—
	$ 3,509,422	$ 3,742,852	$ 3,550,555

Comprised of:			
Net Current Expenditures	$ 3,336,780	$ 3,580,783	$ 3,383,113
Net Capital Expenditures	172,642	162,069	167,442
	$ 3,509,422	$ 3,742,852	$ 3,550,555

Schedule 3

PROVINCE OF NOVA SCOTIA

Schedule of Loans and Investments as at March 31, 1998

	Loans and Investments	Provisions	Net 1998	Net 1997
		(in thousands)		
Loans:				
Housing -				
Housing Development Act (net of Canada Mortgage and Housing Corporation and other borrowings of $36,455,272 in 1998 and $37,781,528 in 1997)	$ 104,288	$ 5,370	$ 98,918	$ 94,780
Resource and Industrial Development -				
Agriculture and Rural Credit Act	146,765	6,934	139,831	136,406
Business Development Corporation Act	174,175	41,148	133,027	120,787
Deuterium of Canada Act	—	—	—	113,897
Fisheries Development Act	37,395	970	36,425	37,845
Industrial Development Act	81,216	60,741	20,475	27,695
Venture Corporations Act	2,187	1,648	539	678
Miscellaneous	1,359	—	1,359	1,649
Other -				
Loans to Municipalities	3,095	—	3,095	3,846
Health Services Tax Act	645	645	—	—
	551,125	117,456	433,669	537,583
Investments:	29,119	18,983	10,136	13,945
	$ 580,244	$ 136,439	$ 443,805	$ 551,528

Schedule 4

PROVINCE OF NOVA SCOTIA

Schedule of Unmatured Debt
as at March 31, 1998

	1998			1997		
	Amount Outstanding	Sinking Funds	Net	Amount Outstanding	Sinking Funds	Net
	(in thousands)					
Debentures						
Payable in Canadian Dollars	$ 4,808,263	$ 916,347	$ 3,891,916	$ 4,395,558	$ 955,198	$ 3,440,360
Payable in U.S. Dollars	4,620,864	476,751	4,144,113	4,002,482	392,363	3,610,119
Payable in Japanese Yen	1,169,300	202,334	966,966	1,230,900	165,350	1,065,550
Payable in Swiss Francs	232,300	46,847	185,453	240,625	39,391	201,234
Payable in U.K. Pounds	82	---	82	79	---	79
	10,830,809	1,642,279	9,188,530	9,869,644	1,552,302	8,317,342
Public Debt Retirement Fund	---	780,047	(780,047)	---	709,540	(709,540)
	10,830,809	2,422,326	8,408,483	9,869,644	2,261,842	7,607,802
Other Capital Liabilities:						
Hospital Debt	59,966	37,427	22,539	63,914	30,893	33,021
Public School Debt	137,183	71,243	65,940	152,556	59,175	93,381
Government of Canada Loans	1,813	---	1,813	2,969	---	2,969
Courthouse Debt	1,105	---	1,105	1,229	---	1,229
Capital Lease and Purchase Agreements	27,487	---	27,487	28,415	---	28,415
	$ 11,058,363	$ 2,530,996	$ 8,527,367	$ 10,118,727	$ 2,351,910	$ 7,766,817

Notes: Debentures outstanding amounts are presented after giving effect to currency swap contracts itemized in Note 5.

The Public Debt Retirement Fund is comprised of net assets at March 31, 1998 of Cdn $503.3 million and US $1[illegible]4 million. During the year, the Fund contributions totalled $0.8 million and earnings totalled $69.7 million for a total increase in the Fund of $70.5 million. No distributions were made from the Fund.

Principal repayments and sinking fund requirements for the years ending March 31, 1999 to March 31, 2003 expressed in Canadian dollars at rates of exchange in effect at March 31, 1998 are $849,010; $961,631; $1,101,749; $1,312,028 and $959,044 respectively.

For the years ended March 31, 1998 and March 31, 1997, the average debt service cost in respect of debentures was 8.70% and 8.94% respectively. The average term of debentures outstanding at March 31, 1997 and 1998 was 18.23 and 16.63 years, respectively. The average remaining term of such debentures at March 31, 1998 was 11.26 years.

PROVINCE OF NOVA SCOTIA

Notes to Financial Statements
March 31, 1998

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

Public Accounts and the Budgetary Process

The Public Accounts of the Province, of which these financial statements are a part, are presented annually to the Legislative Assembly and contain, among other information, the detail of revenue, net program expenditures (consisting of current and capital expenditures, net of recoveries), net debt servicing costs, borrowing and investing authorities, as well as detailed expenditure by object.

The receipt of public revenues, the disbursement of public funds, the control of expenditures and the keeping and auditing of the accounts of the Province are governed by various Provincial statutes.

The budgetary estimates, as approved annually by the Legislative Assembly, within the Appropriations Act, provide the authority for net program expenditures and present the anticipated revenues of the Province for the fiscal year. Authority for net program expenditures is also provided under the authority of the Provincial Finance Act. Authority for net program expenditures expires at the end of each fiscal year.

Commencing with the 1996-97 fiscal year, the amount appropriated by the Legislature for net program expenditures and net debt servicing costs, as defined in the budgetary summary of the annual Estimates, shall not exceed the amount of revenue estimated by the Minister for that fiscal year in accordance with the Expenditure Control Act. An amount may be expended in a fiscal year for these expenditures to a maximum of one per cent more than the amount originally appropriated by the Legislature. Expenditures exceeding this level require that a resolution be passed by the House of Assembly authorizing the expenditures. Further, in the event net program expenditures and net debt servicing costs for a fiscal year exceed the total revenues for that year, the resulting deficit shall be recovered within the following two fiscal years. Should revenues exceed expenditures, the resulting surplus is to be used to reduce the public debt of the Province, or reduce taxes, or both. Net proceeds from the sale of crown assets are required by legislation to be used to reduce the public debt of the Province.

The Reporting Entity

These financial statements include the accounts of the Consolidated Fund, together with the accounts of commercially oriented, government enterprises; the latter are recorded on the modified equity basis of accounting. Information relating to the Nova Scotia Municipal Finance Corporation and Nova Scotia Power Finance Corporation, provincial agencies whose accounts are excluded from these financial statements, is set out in Note 8 "Contingent Liabilities".

The Province separately prepares consolidated financial information including the assets, liabilities, revenues and expenses of boards, commissions and non-commercially oriented corporations which are owned or controlled by the Province and which are accountable for the administration of their financial affairs and revenues, either to a Minister of the Province or directly to the Legislature; such consolidated financial information forms part of the Public Accounts as supplemental information.

Basis of Accounting

These accounts are maintained on an accrual basis, revenues recorded when earned and expenditures recorded when incurred modified to include, for the year ended March 31, 1997 outstanding commitments for certain capital projects in progress at the reporting date. Revenues from Personal and Corporate Income Taxes, federal transfers including Equalization and Canada Health & Social Transfer are accrued in the year earned based upon estimates.

Grants are recognized in the period during which both payment is authorized and any eligibility criteria are met. Provisions are made for probable losses on loan guarantees issued by the Province, forgivable loans and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined.

Net Direct Debt

Net direct debt represents the direct liabilities of the Province less realizable assets and unamortized foreign exchange translation gains/losses and discounts on outstanding debenture issues. Capital expenditures are not considered to be realizable assets for purposes of calculating net direct debt and thus are not capitalized as assets.

Debentures and Sinking Funds

Debentures payable in foreign currencies, accrued interest thereon, and sinking funds, where invested in foreign currencies, are translated into Canadian dollars at the rate of exchange in effect at year-end. Sinking fund payments usually commence on the first anniversary date of the issue and are generally designed to retire the debt over a 20 year period or the term of the issue, whichever is longer.

Sinking fund investments are recorded at cost, and consist primarily of debentures of the Province of Nova Scotia, other provincial governments and the Government of Canada. Sinking funds for U.S. currency debentures are invested in U.S. dollar denominated investments.

The policy objectives of this sinking fund and the public debt retirement fund are to manage short-term liquidity, to manage interest rate and currency exposure, and to assist in the orderly refunding of maturing debt while maximizing the long-term investment return to the Province.

Investments included in the public debt retirement fund and sinking funds include debentures issued by the Province of Nova Scotia and debt instruments subject to Provincial guarantee to the extent of $907.6 million.

Realized foreign exchange gains and losses relating to U.S. dollar denominated annual sinking fund instalments or serial retirements are charged to debt servicing costs.

Foreign exchange gains and losses on the translation of foreign currency debentures together with discounts and underwriting commissions relating to the issuance of debentures are amortized over a twenty year period or the term of the issue, whichever is longer.

Hospital and Public School Debt

The Departments of Health and Education and Culture have commitments to various financial institutions to provide debt servicing payments in respect to debt incurred for hospital and school construction. These commitments are recorded as debt in the Statement of Financial Position. The majority of this debt had been financed through Provincially guaranteed borrowings of the Nova Scotia Municipal Finance Corporation.

Pension and Retirement Obligations

Pension plans established under the Public Service Superannuation Act and the Teachers Pension Act are normally subject to formal triennial actuarial valuations. The last formal actuarial valuation for the Public

Service Superannuation Pension Plan was March 31, 1995, and the Teachers' Pension Plan was July 31, 1994. The pension liability for these plans is calculated on an actuarial basis using the Province's best estimates to update the most recent formal valuations. The pension expense comprises the Province's share of estimated current service contributions. Adjustments to net unfunded liabilities between reporting dates are charged or credited to Net Direct Debt.

The Province also maintains accounts within the Consolidated Fund for pension and related benefit funds in respect of Early Retirement Incentive Programs, Judges' Pension Supplement, Members Retiring Allowance Act, Public Service Awards, Deputy Ministers' Supplement, War Service Pension, Sysco Pension Plan and self-insured Workers' Compensation Board liability. Details of these obligations are provided in Note 4.

2. RESTATEMENT OF PRIOR PERIODS

Net Direct Debt for prior years has been restated in the amount of $15.443 million to reflect changes in accounting policies and the correction of a prior period.

The changes in accounting policies were made to more accurately reflect the Province's liability with respect to vacation pay and risk premiums for student loans. The amounts for each are $2.5 million and $3.636 million respectively and increase Net Direct Debt from the amount originally reported for March 31, 1997 by $6.136 million.

A correction of $9.307 million made in the current year relates to years prior to March 31, 1997. This amount increases Net Direct Debt from the amount originally reported for March 31, 1997. The correction is a result of a misinterpretation of a loan agreement provided through the Industrial Expansion Fund.

The net effect of these restatements is an increase in Net Direct Debt at March 31, 1996 of $15.443 million.

3. TRANSITIONAL ASSISTANCE - HARMONIZATION OF SALES TAXES

In accordance with the October 1996 Federal Provincial Agreement on the Harmonization of the Goods and Services Tax and the Provincial Sales Tax, the Federal Government advanced $249 million to offset anticipated losses in the provincial sales tax revenues resulting from harmonization. The unamortized balance of $130.4 million is included in deferred revenue as at March 31, 1998, and will be amortized in the amounts of $77.7 million and $52.7 million in 1999 and 2000 respectively.

4. PENSION AND OTHER OBLIGATIONS

Pension obligations consist of :

	1,998	1,997
	(In thousands)	
Public Service Superannuation Plan	$(183,425)	$(66,590)
Nova Scotia Teachers' Pension Plan	143,987	649,782
Members' Retiring Allowances Act	43,904	41,964
Early Retirement Incentive Programs	142,150	114,747
Judges' Pension Supplement	10,440	7,750
Deputy Ministers' Supplement	2,090	1,529
War Service Pension	15,400	14,764
	$174,546	$763,946
Other retirement obligations consist of:		
Sysco Pension Plan	$29,980	$32,990
Public Service Awards	57,060	44,340
Self-Insured Workers' Compensation	29,552	25,473
	$116,592	$102,803
Total Pension and Retirement Obligations	$291,138	$866,749

Demographics for Certain Plans :

	Active Members	Deferred Members	Pensioners	Average Age of Actives
Public Service Superannuation	14,504	88	8,024	42
Nova Scotia Teachers' Pension	12,738	2,987	6,427	42

Public Service Superannuation Plan

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by employee contributions at the rate of 5.4 percent up to the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, and 7 percent of any earnings amount over the YMPE, with equal contributions by the Province and participating agencies. Pensions are paid on the basis of the average salary for the five highest years at the rate of 2 percent for each year for which contributions were made. Benefits paid are integrated at age 65 with the Canada Pension Plan. After age 65 employees receive a reduced pension (1.3

percent) in respect of earnings eligible for Canada Pension Plan benefits and continue to receive 2 percent on earnings in excess of the YMPE. Inflation protection is the lesser of the increase in the Consumer Price Index or 6 percent.

The plan invests in Canadian and foreign equities, bonds, debentures, mortgages and money market securities. Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of $81.73 million as at March 31, 1998.

The assumptions used include a 3.5 percent inflation rate, 0.5 percent real average salary increase, plus an average of 1.0 percent for merit increases, a 4.5 percent real rate of return on investments and an average retirement age of 61. The valuation showed adjusted actuarial liabilities of $1,853 million and assets of $1,718 million resulting in an unfunded liability of $135 million. An extrapolation to March 31, 1998 showed actuarial liabilities of $2,248.2 million and assets of $2,736.9 million resulting in a remaining surplus of $488.7 million.

The surplus amount includes (i) $56.8 million representing contributions which will be refunded as a result of a contribution holiday, (ii) $65 million representing changes in assumptions to reflect an average retirement age of 59 and plan amendments for spousal benefits. Of the net remaining surplus of $366.85 million, the Province has recognized its 50% share of $183.425 million in these financial statements. The change of $116.8 million in the Province's 50% share of the net surplus was recognized in net direct debt during the current year.

Nova Scotia Teachers' Pension Plan

Most teachers in the public school system and community college system in Nova Scotia are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Teachers' Pension Act. The plan is funded by member contributions at the rate of 8.3 percent up to the YMPE under the Canada Pension Plan and 9.9 percent of earnings in excess of the YMPE, with matching contributions by the Province. Pensions are paid on the basis of the average salary for the five highest years, at a rate of 2 percent for each year for which contributions were made. Benefits paid are integrated at age 65 with the Canada Pension Plan. After age 65 employees receive a reduced pension (1.3 percent) in respect of earnings eligible for Canada Pension Plan benefits and continue to receive 2 percent on earnings in excess of the YMPE.

The Province's obligations in respect of the Teachers' Pension Plan are comprised of the following:

	1998	1997
	(in thousands)	
50% of the unfunded liability	$72,235	$290,976
Present value of payments required to be made pursuant to Schedule A of the Teachers' Pension Act	—	280,264
Present value of payments required to be made pursuant to Schedule B of the Teachers' Pension Act	71,752	78,542
	$143,987	$649,782

The assumptions used include a 4.0 percent inflation rate, a 0.75 percent real average salary increase, plus merit, and a 4.33 percent real rate of return on investments. It was assumed that 60% of plan members retire at the earliest of the available options: (i) minimum age 55 with age plus years of service greater than or equal to 85, (ii) attain 35 years of service, (iii) reach age 60 with 10 years of service, or (iv) reach age 65. It was assumed that the remaining 40% of plan members retire at the earlier of 35 years of service or age 65. The valuation showed adjusted actuarial liabilities of $2,716 million and assets of $1,892 million resulting in an unfunded liability of $824 million. An extrapolation to March 31, 1998 showed adjusted actuarial liabilities of $3,354.5 million and assets of $3,210.0 million resulting in an unfunded liability of $144.5 million. The Province has recognized its 50 percent share of this amount in these financial statements.

Pursuant to an agreement with the Nova Scotia Teachers' Union in 1993, amendments were made to the Teachers' Pension Act (Schedules A and B) regarding amounts which the Province would pay to the pension fund. The Province agreed to assume responsibility for $300 million of the unfunded liability under Schedule A and the final payment in the amount of $288.5 million was made in July 1997. Under Schedule B, the Province is committed to making a series of payments which began at $10 million per annum in 1993/94, increased by 7.5 percent each year thereafter until 2003. The present value of these future payments as at March 31, 1998, discounted at the pension plan's valuation rate of 8.5 percent per annum is approximately $71.8 million and has been recognized in these financial statements.

Members' Retiring Allowances Act

Members of the Legislative Assembly are entitled to receive retiring allowances pursuant to the provisions of The Members' Retiring Allowances Act. Members make contributions of 10 percent of their Annual Indemnity Payment, their Annual Allowance for Expenses and Executive Council or other salaried office. The Province contributes an amount equal to 3.96 times the members contributions. Benefits are paid on the basis of the average last 3 years of remuneration at the rate of 5 percent for each year of service, to a maximum of 15 years of service.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55. Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance at age 45. Retiring allowances are increased annually (January 1) by the lesser of the increase in the Consumer Price Index or 6 percent.

There is no separate fund for the Members' Retiring Allowances. Contributions are paid to the Consolidated Fund of the Province and allowances are paid from the Consolidated Fund. The fund equity is credited with

8.5 percent interest. The most recent actuarial report as at August 31, 1996 estimated the unfunded liability to be $41.0 million which has been updated internally by the Province of Nova Scotia as at March 31, 1998.

Early Retirement Incentive Programs

Early retirement incentive programs have been offered by the Province since 1986. These programs offered additional years of pensionable service for those who qualified and elected to retire. The portion of pensions payable attributable to this additional service is an obligation of the Province and is not paid from the Public Service Superannuation Fund.

Judges' Pension Supplement

Provincial Court judges and Family Court judges are members of the Public Service Superannuation Plan and make contributions and are eligible to receive benefits as described in this plan. However, judges are also eligible to retire under the terms of the Judges' Act which provides a judge, who retires at age 65 with at least 5 years of service as a judge, with an entitlement to 7 percent of the average authorized salary of the three best years for each year of service as a judge, to a maximum of 70 percent. The base benefit is paid by the Public Service Superannuation Plan and the supplement necessary to bring the judge's total pension up to the amount payable under the terms of the Judges' Act is paid from the Consolidated Fund of the Province.

Deputy Ministers' Supplement

Deputy Ministers are members of the Public Service Superannuation Plan. Benefits paid to retiring Deputy Ministers are based on the average salary for the best three years instead of the best five years which is the entitlement under the Public Service Superannuation Plan. The amount of pension benefit which is attributable to this difference in entitlement is paid from the Consolidated Fund of the Province.

War Service Pension

Under the terms of the Public Service Superannuation Act, a member who served during the Second World War or in the Korean Conflict is eligible to receive pensionable credit for this service upon payment of employee contributions to the Consolidated Fund of the Province. If the member took a leave of absence from the Province to serve during the Second World War, the payment of employee contribution is waived. The portion of pension attributable to war service is paid from the Consolidated Fund of the Province.

Sysco Pension Plan

The Province has committed to fund the unfunded liability of the Sydney Steel Employees Pension Plan Fund as at December 31, 1994.

Public Service Award

Upon retirement, employees are eligible for a Public Service Award equal to one week's salary per year of service to a maximum of six months salary. The liability consists of obligations recorded as 1% of total payroll plus interest allocated annually. A separate fund is not maintained for this plan and all payments to employees are made from the Consolidated Fund.

Self-insured Workers' Compensation

The Province is self-insured for Workers' Compensation purposes. Any approved claims from injured workers are paid directly by the Province. The amount recorded in these financial statements represents the actuarial estimate of future payments.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Province is a party to financial instruments with off-balance sheet risk, either to hedge against the risks associated with fluctuations in foreign currency exchange rates, or to manage risks associated with interest rate fluctuations. Foreign currency contracts are used to convert the liability for foreign currency borrowings and associated costs into Canadian or U.S. dollars. Interest rate contracts are used to vary the amounts and periods, for which interest rates on borrowings are fixed or floating.

Foreign exchange contracts include forward and future contracts, swap agreements and options. Interest rate contracts include forward rate agreements, future contracts, swap agreements and options on swaps, and deferred rate-setting agreements.

The Province has the following swap contracts outstanding to convert certain interest payments from a fixed to floating, or floating to floating basis as at the fiscal year ended March 31, 1998.

# of Swaps	Currency	Principal	Term	Reset Index	Spread	* Mark to Market
		(in thousands)	(years)			(millions)
42	CDN $	1,202,574	2 to 22	3 mth CAD-BA-CDOR	-0.20 to 3.61	105.78
3	US $	700,000	4 to 10	3 mth USD-LIBOR	no spread	52.50
				3 mth CAD-BA-CDOR	-0.54 to -0.55	
3	UK £	143,215	2 to 10	6 mth GBP-LIBOR-BBA	-0.01 to +2.96	21.40
				6 mth USD-LIBOR-BBA	+2.85	
3	YEN ¥	63,000,000	2 to 5	3 mth USD-LIBOR-BBA	-0.18	11.86
				6 mth JPY-LIBOR-BBA	+0.67	
				3 mth CAD-BA-CDOR	0.01	

* Mark to Market is an indication of the swap's market value as at March 31, 1998. This represents the estimated realizable gain and is equivalent to the present value of future interest savings based on market conditions as at March 31, 1998.

The Province also has outstanding currency swap contracts to convert foreign denominated debt into Canadian or U.S. dollars denominated debt as follows:

Termination Date	Original Currency	Original Principal	Current Currency	Current Principal
		(in thousands)		(in thousands)
May 12, 1999	US $	250,000	CDN $	345,312
May 12, 1999	US $	250,000	CDN $	345,312
April 18, 2000	UK £	60,000	US $	98,736
December 11, 1999	UK £	23,215	US $	38,204
March 8, 2001	YEN ¥	3,000,000	CDN $	41,436
May 12, 1999	YEN ¥	25,000,000	US $	223,314

The Province has also executed several foreign currency forward agreements to convert a $30 billion Yen commitment due in November, 1998, to a U.S. dollars principal of $248.5 million.

6. GOVERNMENT ENTERPRISES

	1998			
	Assets	Liabilities	Revenue	Expenditures
	(in thousands)			
Nova Scotia Liquor Commission	$34,753	$25,489	$331,868	$213,439
Nova Scotia Alcohol and Gaming Authority	1,077	125	10,312	6,482
Nova Scotia Gaming Corporation	17,133	17,133	384,877	257,276
Sydney Steel Corporation	66,341	119,549	63,011	114,487
Nova Scotia Resources Limited	40,201	500,327	58,707	113,110
Highway 104 Western Alignment Corporation	163,063	161,280	505	1,608
	$322,568	$823,903	$849,280	$706,402

The net operating results of Sydney Steel Corporation and Nova Scotia Resources Limited are reported in the Statement of Net Direct Debt; net operating results of the other enterprises, with the exception of Highway 104 Western Alignment Corporation, are recorded in the Statement of Revenue and Expenditures.

Nova Scotia Gaming Corporation

The Nova Scotia Gaming Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

The revenues of the Corporation are derived from the Sheraton Halifax and Sydney Casinos and the Atlantic Lottery Corporation. The net earnings of the Corporation, after providing for expenses, are recorded in the revenues of the Province.

The Nova Scotia Gaming Corporation is guaranteed revenues of $25 million from the Halifax and Sydney casinos in each of four years commencing August 1, 1995. Total provincial revenue includes the aggregate of casino win tax paid to the Province, annual registration fees paid to the Nova Scotia Alcohol and Gaming Authority and the share of profit allocated to the Nova Scotia Gaming Corporation as described in an Operating Contract with Sheraton Casinos Nova Scotia. If total provincial revenue falls below the $25 million requirement in any year of the guarantee period, the Sheraton is obligated to pay the Corporation the shortfall.

Sydney Steel Corporation (Sysco)

Sydney Steel Corporation, a Provincial Crown Corporation established by an Act of the Legislature operates a steel mill at Sydney, Nova Scotia.

Sysco recorded losses for the years ended December 31, 1997 and 1996 of $51.5 million and $25.7 respectively. Losses for the year ended December 31, 1997 included a provision for pension plan amendments in the amount of $32 million. These losses are reflected in the Statement of Net Direct Debt. Debt of Sysco, guaranteed by the Province, amounted to $71.8 million as at March 31, 1998. The Province's provision for the deficiency in net assets of the corporation is $112.6 million as at March 31, 1998.

The joint operating agreement with China National Metals and Minerals Import and Export Corporation (Minmetals) expired on December 31, 1997. The Province continues to evaluate expressions of interest from the private sector for the sale of Sysco although no agreements have been finalized as at March 31, 1998.

Nova Scotia Resources Limited

The Company has a 50 per cent working interest in the Panuke and Cohasset oil fields offshore Nova Scotia that went into production in 1992. Net loss (earnings) for the years ended December 31, 1997 and 1996, adjusted to comply with the Province's accounting policy for foreign exchange gains and losses, amounted to $57.8 million and ($2.4 million) respectively. These operating results have been recorded in the Province's accounts during the fiscal year ended March 31, 1998 and are reported in the Statement of Net Direct Debt.

The carrying value of oil and gas properties is $30.7 million at December 31, 1997. The Company compared the net recoverable amount based on commodity prices at December 31, 1997 to the carrying value of the oil and gas properties and has determined that no write down is necessary. Debt of Nova Scotia Resources Limited guaranteed by the Province amounted to $341.9 million at March 31, 1998. The Province's cumulative provision for the deficiency in net assets of the company is $460.1 million as at March 31, 1998.

Highway 104 Western Alignment Corporation

The Highway 104 Western Alignment Corporation has been established to finance, design, construct, operate and maintain a 45 km stretch of highway between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia. The Province of Nova Scotia retains ownership of the highway; however, the Corporation is granted the right to operate and collect tolls for a thirty year period, pursuant to an agreement dated April 1, 1996 after which time the right will revert back to the Province.

The Province has contributed $55 million toward construction of the highway. This contribution is equally shared with the federal government under the Canada/Nova Scotia Strategic Highway Improvement Program. $26 million was advanced in the fiscal year ended March 31, 1998, in the form of a line of credit for final settlement on April 15, 1998, $13 million of which was the Province's share.

The amounts presented for the Highway 104 Western Alignment Corporation are based on unaudited financial statements and may be subject to change. As a result, no amounts have been recorded in these financial statements. The possible impact of not recording any amounts is not considered to be material.

7. TRUST FUNDS UNDER ADMINISTRATION

Trust fund assets administered by the Province (before giving consideration to actuarial adjustments) are:

	1998	1997
	(in thousands)	
Public Service Superannuation Plan	$2,742,210	$2,255,015
Nova Scotia Teachers' Pension Plan	3,148,693	2,570,846
Miscellaneous Trusts	23,835	31,715
	$5,914,738	$4,857,576

8. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

The Province acts as a guarantor of debt issued by Crown corporations, agencies and various other entities under authorities provided by Provincial statutes. Outstanding bank loans, bonds, and debentures, net of applicable sinking funds and debt defeasance investments, directly guaranteed by the Province are summarized as follows:

	1998	1997
	(in thousands)	
Nova Scotia Power Finance Corporation	$ -	$5,715
Nova Scotia Resources Limited	340,505	409,942
Nova Scotia Municipal Finance Corporation	283,041	356,083
Sydney Steel Corporation	71,838	50,717
Halifax-Dartmouth Bridge Commission	-	70,709
Nova Scotia Business Development Corporation	9,059	13,531
Industrial Development Act	31,272	32,242
Nova Scotia Fisheries and Aquaculture Loan Board	4,107	-
Other	849	929
	740,671	939,868
Deduct items for which provision has been made in these financial statements:		
Hospital and public school debt (Schedule 4)	93,385	126,401
Crown Corporations	412,343	460,659
Other	4,137	5,789
	$230,806	$347,019

At March 31, 1998, the Province had also guaranteed performance bonds totalling $9 million for Sydney Steel Corporation.

Nova Scotia Power Finance Corporation

On August 12, 1992, the Government of Nova Scotia completed the public sale of common shares of Nova Scotia Power Inc. (NSPI) an electric utility which had assumed the net operating assets of Nova Scotia Power Corporation (NSPC). Prior to that date, the utility was a Provincial Crown corporation. NSPC, which has been renamed Nova Scotia Power Finance Corporation (the Corporation), will continue as a Provincial Crown corporation until the debt of the former Crown corporation is fully repaid in 2031.

Nova Scotia Municipal Finance Corporation

Debenture debt of the Nova Scotia Municipal Finance Corporation (MFC) outstanding as at March 31, 1998, totalled $638.1 million. This debt is guaranteed by the Province of Nova Scotia. As at March 31, 1998, sinking funds and series that have been placed with the Province total $355.1 million. Of this net amount, at March 31, $197.1 million has been designated for hospital and public school construction and is included in

Unmatured Debt of the Province. The remaining debt of $85.9 million represents loans by MFC to municipalities.

Environmental Sites

Various province owned sites located throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of the damage and to develop a remediation plan. The Province's liability in remediating these sites is not determinable as at March 31, 1998 and no provision for these costs has been recorded in these financial statements.

Year 2000

The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Province's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the entity, including those related to efforts of suppliers and other third parties, will be fully resolved.

The Province continues to prepare for and manage this risk. Each government department is responsible for identifying, creating and executing remediation plans for all date-sensitive systems that may impact their ability to continue normal operations. The costs associated with all year 2000 efforts are to be financed from existing departmental operating budgets. A project team has been established to monitor and support the Province's year 2000 efforts as a whole. This team reports to a senior deputy minister of government.

Commitments Leases

At March 31, 1998, the Province was committed under the terms of various operating leases in respect of computer hardware and software, office space and equipment. Minimum annual lease payments in each of the next five years are as follows:

1998-1999	$21.0 million
1999-2000	14.6 million
2000-2001	11.5 million
2001-2002	9.7 million
2002-2003	8.7 million

The Province has net advances of $23 million to private sector partners for the construction of schools for which the Province intends to enter into operating leases. As at March 31, 1998 leases had not been signed for these schools, therefore the obligations are not included in the above commitments. Schools for which leases have been signed are included in the above commitments.

Long-Term Disability Plan

The Long-Term Disability plan, which is funded on an equal basis by the Province and its employees, has an estimated unfunded liability as at March 31, 1998 of approximately $44.8 million.

As agreed to through a contractual arrangement between the Nova Scotia Government Employees Union and the Province, the Province is not required to fund this shortfall, therefore, no liability has been recorded in these financial statements.

Capital Commitments

Commencing with the year ended March 31, 1996, the Province changed its authority for capital spending from two years to one year and combined that authority with current program spending. As a transitional measure, the Province accrued certain capital commitments for the year ended March 31, 1997 in the amount of $11.7 million (1996 - $50.9 million). This transitional measure has not been continued in subsequent years.

9. PROVISION FOR DISTRIBUTION OF BUDGETARY SURPLUS

Subsequent to year end, government approved the partial distribution of the Province's surplus to taxpayers as a reduction in Harmonized Sales Tax paid. Accordingly, the provision for such distribution has been recorded in these financial statements.

10. EXPENDITURES IN EXCESS OF ESTIMATES

Pursuant to Section 13 of the Expenditure Control Act, a resolution to authorize program expenditures to the extent of $184.335 million for the fiscal year 1997-98 is required and planned to be obtained in the fall (1998) sitting of the Legislative Assembly. The majority of this expenditure was by the Department of Health ($140.9 million).

11. COMPARATIVE FIGURES

Certain 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1998.

Schedule 5

PROVINCE OF NOVA SCOTIA

Schedule of Direct Guarantees
as at March 31, 1998

			(in thousands)
Bank Loans:			
Sydney Steel Corporation (Includes US$ 1,087,000 at 1.43)		$ 71,838	
Nova Scotia Business Development Corporation		9,059	
Industrial Development Act		31,272	
Nova Scotia Fisheries and Aquaculture Loan Board		4,107	$ 116,276
Promissory Notes:			
Nova Scotia Resources Limited (U.S. $240,367,541)		340,505	
Nova Scotia Power Finance Corporation:			
11 1/2% Series AA due July 15, 2005	50,000		
13 1/2% Series AE due December 1, 2002	100,000		
12 1/2% Series AF due December 20, 2003	75,000		
12 1/8% Series AG due February 14, 2005	100,000		
10 7/8% Series AH due November 15, 2012	150,000		
11 1/4% Series AJ due April 27, 2014	200,000		
10 1/4% Series AK due January 10, 2020	150,000		
11% Series AM due February 26, 2031	200,000		
U.S. $300,000,000 9.40% Series AN due April 1, 2021	424,980		
	1,449,980		
Less: Defeasance Funds (Includes U.S. $300,000,000)	1,449,980	---	
Nova Scotia Municipal Finance Corporation:			
11 1/4% Series A due January 4, 1998-2000	2,500		
12% Series B due July 2, 1997-2000	2,100		
13 3/8% Series C due December 19, 1998-2000	3,750		
13 3/8% Series D due December 19, 1998-2000	1,500		
12 3/4% Series K due September 7, 1998	700		
14 1/4% Series M due August 28, 1998-1999	200		
12 1/4% to 12 1/2% Series N due April 2, 1998-2005	4,315		
10.9% to 11% Series P due December 11, 1998-2000	2,500		
10.35% to 10.375% Series U due May 11, 1998	2,022		
10.9% to 11% Series V due November 3, 1998	26,950		
11 1/4% Series W due April 26, 1999	40,100		
10 1/2% Series X due November 16, 1999	43,000		
11 3/4% Series Y due June 21, 2000	44,000		
11.90% Series Z due November 15, 2000	59,000		

10 3/8% to 10 1/2% Series AA due May 29, 1998-2001	15,400		
9 1/2% to 9 3/4% Series AB due October 30, 1998-2001	19,390		
9 5/8% to 9 7/8% Series AC due May 13, 1998-2002	34,925		
8% to 8 1/2% Series AD due December 9, 1998-2002	24,380		
7 3/4% to 8 1/2% Series AE due May 5, 1998-2003	16,520		
6 3/4% to 7 5/8% Series AF due November 18, 1998-2003	13,200		
8 1/2% to 9 1/4% Series AG due July 13, 1998-2004	13,340		
8 3/4 % to 9 3/4% Series AH due December 8, 1998-2004	21,202		
8 3/8% to 9 1/8% Series AI due May 2, 1998-2005	14,530		
7 1/8 % to 8 1/8% Series AJ due November 14, 1998-2006	27,830		
6 1/4 % to 8 % Series AK due May 14, 1998-2006	38,566		
5 1/4% to 7 1/2% Series AL due October 28, 1998-2006	19,402		
4 1/2% to 7% Series AM due May 12, 1998-2007	61,938		
4 1/4% to 6 1/4% Series AN due October 17, 1998-2007	39,780		
5 1/8% to 6 1/8% Series AP due January 30, 1999-2019	45,100		
	638,140		
Less: Sinking Funds	155,185		
Series AI, AK, AM, AN, AP placed with the Province	199,914	283,041	623,546
Mortgages:			
Housing Act			849
Total Direct Guarantees			740,671
Less: Amounts reflected in the Province's Net Direct Debt:			
Deficiency in Net Assets of certain Crown Corporations:			
Nove Scotia Resources Limited and Sydney Steel Corporation		109,279	
Included in Accounts Payable:			
Industrial Development Act		2,075	
Nova Scotia Business Development Corporation		2,062	
Included in Capital Liabilities:			
School and Hospital debt payable to Nova Scotia Municipal Finance Corporation		93,385	206,801
Net Direct Guarantees not provided for in these Financial Statements			$ 533,870

Schedule 6

PROVINCE OF NOVA SCOTIA

Statement of Special Reserve Account
for the fiscal year ended March 31, 1998

	1998	1997
	(in thousands)	
Balance - beginning of year	$ 137	$ 137
Balance - end of year	$ 137	$ 137

Schedule 7

PROVINCE OF NOVA SCOTIA

Statement of Funds Created from Special Reserve Account as at March 31, 1998

	Municipal Loan Fund	Hawker Siddley Optional Retirement Program Fund	Total
		(in thousands)	
Balance - Beginning of year	$ 106	$ 355	$ 461
Deduct:			
Expenditures	---	140	140
Balance - March 31, 1998	$ 106	$ 215	$ 321
Represented by:			
Outstanding loans less provision (Schedule 11)	$ 48	$ ---	$ 48
Unappropriated balance of Fund - March 31, 1998	58	215	273
	$ 106	$ 215	$ 321

Schedule 8

PROVINCE OF NOVA SCOTIA

Statement of Health Services Reserve Account for the fiscal year ended March 31, 1998

	1998	1997
	(in thousands)	
Balance - beginning of year	$ 1,656	$ 1,566
Add:		
Decrease in provision for Doubtful Accounts	326	90
Balance - end of year	$ 1,982	$ 1,656
Represented by:		
Loans and expenditures authorized but not made	$ 299	$ 299
Unappropriated balance - end of year	1,683	1,357
	$ 1,982	$ 1,656

Schedule 9

PROVINCE OF NOVA SCOTIA

Accounts Receivable and Advances as at March 31, 1998

		Accounts Receivable and Advances		Provisions for Doubtful Accounts (Schedule 14)		Accounts Receivable less Provisions		
						1998		1997
				(in thousands)				
Government of Canada	$	225,956	$	—	$	225,956	$	84,121
Nova Scotia Liquor Commission		9,312		—		9,312		19,585
Health Services Tax		9,087		6,282		2,805		61,639
Gasoline Tax		15,740		1		15,739		14,806
Tobacco Tax		—		—		—		7,591
Towns, Cities and Municipalities		4,818		—		4,818		25,040
Receivables of Various Government Departments -								
Agriculture and Marketing		5,823		36		5,787		6,049
Business and Consumer Services		8,753		20		8,733		263
Community Services		19,510		—		19,510		32,845
Economic Development & Tourism		18,223		169		18,054		3,539
Education and Culture		28,194		5,504		22,690		31,515
Environment		1,307		17		1,290		1,473
Finance		468,985		1		468,984		140,760
Fisheries and Aquaculture		1,553		—		1,553		1,581
Health		239,530		97,245		142,285		118,721
Housing and Municipal Affairs		2,920		157		2,763		23,886
Human Resources		5		—		5		37
Justice		16,875		1,936		14,939		4,334
Labour		1,937		—		1,937		326
Natural Resources		3,498		240		3,258		5,348
Public Service		5,246		1,195		4,051		1,680
Transportation and Public Works		52,909		166		52,743		38,772
	$	1,140,181	$	112,969	$	1,027,212	$	623,911

Schedule 10

PROVINCE OF NOVA SCOTIA

Statement of Current Advances
as at March 31, 1998

	1998	1997
	(in thousands)	
Department of -		
Finance:		
Automobile Advances (Employee Purchase Assistance)	$ ---	$ 1
Accountable Advances (Travel and Other)	76	30
Human Resources:		
Workers' Compensation Board of Nova Scotia	5	5
Public Service:		
Board of Commissioners of Public Utilities	125	125
Transportation and Public Works:		
Accountable Advances (Travel and Other)	12	2
Workers' Compensation Board of Nova Scotia	45	45
Operating Account	250	342
Department Operating Accounts:		
Business and Consumer Services	2	---
Economic Development and Tourism	240	321
Education and Culture	---	35
Health	182	142
Housing and Municipal Affairs	5	3
	$ 942	$ 1,051

Schedule 11

PROVINCE OF NOVA SCOTIA

Statement of Loans
as at March 31, 1998

	Loans	Provisions for Doubtful Accounts (Schedule 14)	Loans less Provisions 1998	Loans less Provisions 1997	Interest Revenue 1998
			(in thousands)		
General Funds					
Agriculture and Rural Credit Act, R.S. 1989	$ 146,765	$ 6,934	$ 139,831	$ 136,406	$ 11,026
Business Development Corporation Act, R.S. 1989	174,175	41,148	133,027	120,787	8,716
Crop and Livestock Insurance Act, R.S. 1989	709	---	709	709	---
Deuterium of Canada Act, 1966	---	---	---	113,897	---
Fisheries Development Act, R.S. 1989	37,395	970	36,425	37,845	3,332
Health Services and Insurance Act, R.S. 1989	649	---	649	940	---
Housing Development Act R.S. 1989 less Government of Canada Share (net of Canada Mortgage and Housing Corporation and other borrowings amounting to $36,455,272 in 1998 and $37,781,528 in 1997)	104,288	5,370	98,918	94,780	11,410
Industrial Development Act, R.S. 1989	81,216	60,741	20,475	27,695	24
Loans to Municipalities - funds provided by Government of Canada	693	---	693	985	---
Municipal Hospitals Loan Act, R.S. 1989	26	---	26	55	287
Municipal Loan and Building Fund Act, R.S. 1989	2,329	---	2,329	2,732	57
Venture Corporations Act, R.S. 1989	2,187	1,648	539	678	---
	550,432	116,811	433,621	537,509	34,852
Special Reserve Funds					
Municipal Loan and Building Fund Act, R.S. 1989	48	---	48	74	---
Health Services Reserve Account					
Health Services Tax Act, R.S. 1989	645	645	---	---	---
	$ 551,125	$ 117,456	$ 433,669	$ 537,583	$ 34,852

AGRICULTURE AND RURAL CREDIT ACT. The Nova Scotia Farm Loan Board, a Provincial agency, provides loans to individuals and corporations engaged in the farming industry. Loans are provided for the acquisition of real estate or the improvement of existing facilities and generally are secured by agreements of sale between the borrower and the Province.

BUSINESS DEVELOPMENT CORPORATION ACT. The Nova Scotia Business Development Corporation is an agency of the Province established to encourage business development in the Province and to promote economic growth and employment opportunities by rendering to business, financial and other assistance. Loans are primarily secured by first mortgages and by fixed and floating charges.

CROP AND LIVESTOCK INSURANCE ACT. The Province makes advances to the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Nova Scotia Crop and Livestock Insurance Commission for the payment of crop insurance indemnities.

DEUTERIUM OF CANADA LIMITED. Deuterium of Canada Limited ("Deuterium"), a corporation owned by the Province, constructed a major industrial installation for the commercial production of heavy water at Glace Bay, Nova Scotia. In February 1978, an agreement was signed for the sale of the facilities of Deuterium and its subsidiaries to Atomic Energy of Canada Limited ("AECL"), a Federal Crown Corporation. The purchase price is being paid in quarterly installments of $825,000 each over 20 years beginning April 1, 1978. Title to the facilities will pass upon payment of the final installment. The installments are being paid by AECL to a trustee, which is obligated to invest the funds and the earnings thereon in debentures of the Province yielding 5.5% to maturity. At the date of the final payment in January 1998, the fund will total $118.9 million and will be used to repay the Province's investment in and loans to Deuterium, which amounted to $116.9 million at March 31, 1997. Since March 31, 1970, the Province has waived interest on its loans to Deuterium.

FISHERIES DEVELOPMENT ACT. The Province provides loans for the construction or purchase of vessels, machinery and other onboard fishing equipment. Loans are made to individuals, partnerships and corporations and are generally secured by first marine mortgages.

HEALTH SERVICES AND INSURANCE ACT. The Province provides unsecured loans to establish, maintain, expand, construct or equip hospitals or health care facilities in the Province.

HOUSING DEVELOPMENT ACT. The Nova Scotia Department of Housing and Municipal Affairs, through the Nova Scotia Housing Development Fund, provides subsidized mortgage loans for home ownership and low interest loans for home insulation, repair or rehabilitation, acquires or constructs lease-purchase housing, assembles and services land for new housing developments and provides public housing. The programs are aimed at low to moderate income groups. Public housing programs are financed jointly by Canada Mortgage and Housing Corporation ("CMHC"), a Federal Crown Corporation, and the Province. CMHC provides 75% of the capital funds for public housing programs with the Province providing the remaining 25%. The Province provides 100% of the capital funding for other loan programs. Only the Province's share of the financing for these programs is reflected in the schedule of loans.

INDUSTRIAL DEVELOPMENT ACT. The Province provides financial assistance to industries engaged in manufacturing and processing activities or natural resource extraction. Loans are primarily secured by first mortgages and by fixed and floating charge debentures.

LOANS TO MUNICIPALITIES. Loans were provided by the Government of Canada for municipal capital projects. The Province loaned these funds to municipalities under similiar terms and conditions. Loans are for terms of 20 years and are evidenced by debentures covering principal and interest.

MUNICIPAL LOAN AND BUILDING FUND ACT. Provincial loans to municipalities for water and sewer systems, schools and municipal buildings. Loans are secured by municipal debentures.

VENTURE CORPORATIONS ACT. The Province provides a source of equity capital to registered Venture Corporations to encourage the development of small businesses in Nova Scotia. The Venture Corporations in turn provide assistance in the development of small enterprises by providing equity capital and business and managerial expertise.

HEALTH SERVICES TAX ACT. Loans from the Health Services Reserve Account to hospitals for the construction of health care facilities.

Schedule 12

PROVINCE OF NOVA SCOTIA

Additional Loans, Investments and Repayments during the fiscal year ended March 31, 1998

Additional Loans			Repayments	
1998	1997	General Funds	1998	1997
		(in thousands)		
$ 26,505	$ 22,406	Agriculture and Rural Credit Act	$ 22,716	$ 31,555
30,887	22,391	Business Development Corporation Act	16,641	22,455
---	22	Crop and Livestock Insurance Act	---	---
---	---	Deuterium of Canada Act	113,897	---
7,684	8,717	Fisheries Development Act	9,064	13,951
---	---	Health Services and Insurance Act	290	290
14,041	20,786	Housing Development Act	10,622	17,746
7,707	6,105	Industrial Development Act	624	1,237
---	---	Municipalities - Government of Canada Funds	292	504
---	---	Municipal Hospitals Loan Act	29	92
---	---	Municipal Loan and Building Fund Act	404	511
---	---	Venture Corporations Act	226	---
86,824	80,427		174,805	88,341
		Special Reserve Funds		
---	---	Municipal Loan and Building Fund Act	26	25
---	---		26	25
		Health Services Reserve Account		
---	---	Health Services Tax Act	326	104
$ 86,824	$ 80,427		$ 175,157	$ 88,470

Schedule 13

PROVINCE OF NOVA SCOTIA

Statement of Investments
as at March 31, 1998

	Investments	Provisions	Investments less Provisions 1998	Investments less Provisions 1997
		(in thousands)		
Deuterium of Canada Act, 1996 Investment of $2,275,001 in 50,000 shares of capital stock and $750,000 in Canadian patent rights	$ —	$ —	$ —	$ 3,025
Halifax International Containers Limited Investment in 8,000 shares of capital stock at their par value	8	—	8	8
Business Development Corporation Act, R.S. 1989	17,555	11,766	5,789	6,573
Industrial Development Act, R.S. 1989	11,556	7,218	4,338	4,338
	$ 29,119	$ 18,984	$ 10,135	$ 13,944

Schedule 14

PROVINCE OF NOVA SCOTIA

Continuity of Provisions for Doubtful Accounts for the fiscal year ended March 31, 1998

	Provision March 31, 1997	Written Off During Year	Increase (Decrease) Provided During Year		Provision March 31, 1998
			(in thousands)		
Accounts Receivable					
Health Services Tax	$ 6,282	$ ---	$ ---		$ 6,282
Gasoline Tax	1	---	---		1
Department of:					
Agriculture and Marketing	36	---	---		36
Business and Consumer Services	20	---	---		20
Economic Development and Tourism	99	---	70	(1)	169
Education and Culture	810	19	4,713	(1)	5,504
Environment	1	---	16	(1)	17
Finance	---	---	1	(1)	1
Health	41,605	---	55,640	(1)	97,245
Housing and Municipal Affairs	157	---	---		157
Justice	2,013	779	702	(1)	1,936
Natural Resources	187	---	53	(1)	240
Public Service	862	---	333	(1)	1,195
Transportation and Public Works	268	---	(102)	(1)	166
	52,341	798	61,426		112,969
Capital Loans					
General Funds -					
Agriculture and Rural Credit Act	6,570	---	364	(1)	6,934
Business Development Corporation Act	48,269	9,127	2,006	(1)	41,148
Fisheries Development Act	928	---	42	(1)	970
Housing Development Act	6,090	---	(720)	(1)	5,370
Industrial Development Act	52,448	15,317	23,610	(1)	60,741
Venture Corporations Act	2,789	1,053	(87)	(1)	1,649
Health Services Reserve Account -					
Health Services Tax Act	971	---	(326)	(2)	645
	118,065	25,497	24,889		117,457
Re: Capital Investments					
Business Development Corporation Act	11,596	---	169	(1)	11,765
Industrial Development Act	7,218	---	---		7,218
	18,814	---	169		18,983
	$ 189,220	$ 26,295	$ 86,484		$ 249,409

(1) Charged against or credited to Current Account
(2) Charged against or credited to Reserve Fund

Schedule 15

PROVINCE OF NOVA SCOTIA

Accounts Payable
as at March 31, 1998

	1998	1997
	(in thousands)	
Government of Canada	$ 813	$ 660
Outstanding Cheques	32,688	28,802
Canada Savings Bonds - Employees (Bank)	(2,925)	3,902
	30,576	33,364
Deposits and other funds -		
Natural Resources	195	201
Housing and Municipal Affairs	2,807	2,543
Due to Trust Funds	6,169	8,177
Other	12,365	9,929
	21,536	20,850
Accounts Payable of Various Government Departments -		
Agriculture and Marketing	4,114	3,892
Business and Consumer Services	19,609	21,268
Community Services	3,190	20,842
Economic Development & Tourism	21,660	25,949
Education and Culture	28,871	22,812
Assistance to Universities	2,966	1,651
Environment	2,177	2,445
Finance	57,644	18,865
Fisheries and Aquaculture	752	403
Health	112,108	82,838
Housing and Municipal Affairs	10,343	11,218
Human Resources	337	130
Justice	42,110	49,828
Labour	14,362	691
Natural Resources	5,597	6,467
Public Service	15,639	6,178
Transportation and Public Works	55,831	40,318
	397,310	315,795
Distribution of Budgetary Surplus	10,000	---
	$ 459,422	$ 370,009

Schedule 16

PROVINCE OF NOVA SCOTIA

Statement of Debentures and Sinking Funds
as at March 31, 1998

Series	Date of Issue	Date of Maturity	Rate	Amount Outstanding	Sinking Funds
				(in thousands)	
Payable in Canadian Currency					
	Canada Pension Plan Investment Fund(A)				
CP19	Feb. 1, 1980	March 1, 1999	9.56	$ 68,176	$ 61,535
CP20	Nov. 3, 1980	March 3, 2000	10.59	73,922	59,687
CP21	Oct. 1, 1981	March 2, 2001	12.70	78,277	56,362
CP22	April 1, 1982	March 1, 2002	15.43	96,251	62,360
CP23	June 1, 1983	March 1, 2003	14.67	93,725	53,494
CP24	June 1, 1984	March 1, 2004	11.60	90,597	45,464
CP25	Aug. 1, 1985	Jan. 2, 2005	13.37	85,762	38,036
CP26	April 1, 1986	March 3, 2006	11.48	91,752	35,688
CP27	May 1, 1987	March 2, 2007	9.61	109,641	36,699
CP29	May 1, 1988	March 1, 2008	9.77	81,516	23,498
CP30	June 1, 1989	Dec. 1, 2008	10.08	78,450	19,213
CP31	June 1, 1990	March 1, 2010	9.90	85,218	17,295
CP32	May 1, 1991	Aug. 1, 2010	10.58	46,648	7,831
CP34	May 1, 1992	July 2, 2011	9.92	78,408	10,663
CP35	May 3, 1993	July 2, 2012	9.37	55,808	5,960
				1,214,151	533,785
	Other Issues				
7S	March 15, 1978	March 15, 1998-2003(a)	9.750	3,750	(B)
7V	March 30, 1979	March 30, 1998-2004(a)	10.500	6,000	(B)
8Q(F)	Dec. 18, 1984	Dec. 18, 2004	12.625	150,000	62,352
7T	Sept. 7, 1978	Sept. 7, 1997-2008(a)	9.750	8,800	(B)
8S(F)	July 3, 1985	July 3, 2009	11.250	150,000	42,601
8U(F)	Dec. 12, 1985	Dec. 12, 2009	10.875	150,000	38,125
9K	Jan. 30, 1992	Jan. 30, 2022	9.600	200,000	10,689
9P(F) (G)	May 9, 1994	May 12, 1999	Floating	390,720	42,697
9S	June 1, 1995	Dec. 1, 2005	8.250	200,000	8,651
9T (F)(G)	Sept. 8, 1995	March 8, 2001	Floating	41,436	1,752
9U	Jan. 3, 1996	Dec. 29, 2000	7.000	250,000	10,285
9W	Oct. 11, 1996	Oct. 11, 2006	7.250	250,000	51,281
9X(F)(G)	Oct. 30, 1996	May 12, 1999	Floating	304,327	---
9Y	Feb. 18, 1997	Dec. 30, 2002	6.250	250,000	105,676
9Z	Oct. 3, 1997	June 1, 2027	6.600	300,000	---
A1	Feb. 9, 1998	June 2, 2003	5.250	250,000	---
				2,905,033	374,109

Series	**Date of Issue**	**Date of Maturity**	**Rate**	**Amount Outstanding**	**Sinking Funds**
				(in thousands)	
PN-R000001 (F)	Aug. 3, 1995	Aug. 3, 2005	10.000	30,000	1,279
P2-R000001 (F)	Sept. 12, 1995	Sept. 12, 2005	9.250	30,000	1,268
P4-R000001 (F)	Nov. 7, 1995	Nov. 7, 2007	8.450	30,000	1,251
P6-R000001 (F)	July 17, 1996	July 31, 2001	8.100	30,000	623
P7-R000001 (F)	Oct. 17, 1996	Nov. 14, 2006	7.000	20,000	407
P8-R000001 (F)	Dec. 11, 1996	June 11, 2003	5.050	20,000	401
P9-R000001 (F)	Dec. 18, 1996	Dec. 18, 2008	6.810	30,000	601
P10-R000001	Dec. 31, 1996	Dec. 31, 1998	Floating	50,000	999
P11-R000001	Jan. 7, 1997	March 31, 2003	9.375	33,277	663
P12-R000001	Jan. 7, 1997	March 27, 2002	9.250	38,301	764
P13-R000001 (F)	Feb. 13, 1997	Feb. 13, 2009	7.000	10,000	198
P14-R000001 (F)	Jun. 19, 1997	May 12, 2007	5.850	30,000	---
P15-R000001 (F)	July 16, 1997	July 16, 2009	5.250	20,000	---
P17-R000001 (F)	Sept. 5, 1997	Nov. 12, 2009	6.000	25,000	---
P18-R000001 (F)	Oct. 17, 1997	Oct. 17, 2009	5.500	20,000	---
P19-R000001	Dec. 4, 1997	July 3, 2001	11.000	100,000	---
P20-R000001 (F)	Oct. 31, 1997	Nov. 12, 2004	7.200	32,500	---
P21-R000001	Oct. 30, 1997	Mar. 14, 2014	9.000	44,000	---
P22-R000001 (F)	Dec. 22, 1997	Dec. 22, 2009	5.875	25,000	---
P23-R000001 (F)	Jan. 15, 1998	July 15, 2005	5.250	10,000	---
P24-R000001 (F)	Feb. 2, 1998	Feb. 2, 2008	5.760	30,000	---
P25-R000001 (F)	Jan. 30, 1998	Jan. 20, 2010	5.500	21,000	---
P26-R000001 (F)	Mar. 25, 1998	Mar. 25, 2010	5.750	10,000	---
				689,078	8,454

Series	Date of Issue		Date of Maturity		Rate			Amount Outstanding	Sinking Funds
Payable in United States Currency(E)									
9D	Nov.	15, 1989	Nov.	15, 2001/2019	8.250	(U.S. $	250,000)	354,150	61,038
9F	July	15, 1990	July	15, 2002	9.375	(U.S. $	300,000)	424,980	65,735
8L	May	15, 1983	May	15, 2013	11.500	(U.S. $	150,000)	212,490	58,126
8V	Mar.	15, 1986	Mar.	15, 2016	8.875	(U.S. $	150,000)	212,490	41,834
9B (F)	Feb.	1, 1989	Feb.	1, 2019	9.500	(U.S. $	200,000)	283,320	34,716
9C	July	1, 1989	July	1, 2019	8.875	(U.S. $	200,000)	283,320	30,667
9E	Mar.	1, 1990	Mar.	1, 2020	9.250	(U.S. $	300,000)	424,980	43,204
9J	May	1, 1991	May	1, 2021	9.125	(U.S. $	300,000)	424,980	29,939
9L	Apr.	1, 1992	Apr.	1, 2022	8.750	(U.S. $	300,000)	424,980	22,412
9M	July	30, 1992	July	30, 2022	8.250	(U.S. $	300,000)	424,980	21,417
9N	July	27, 1993	July	27, 2013	7.250	(U.S. $	300,000)	424,980	39,714
8C (F)(G)	Oct.	31, 1981	Oct.	31, 2011	16.750	(U.S. $	38,204)	54,120	14,945
8P (F)(G)	Apr.	18, 1984	Apr.	18, 2019	11.750	(U.S. $	98,736)	139,869	13,004
A2 (F)(G)	Mar.	23, 1999	May	12, 2001	Floating	(U.S. $	375,000)	531,225	---
								4,620,864	476,751
Payable in Other Currencies (F)									
9G	Aug.	3, 1990	Aug.	3, 2000	7.000	(SF	250,000)	232,300	46,847
8C	Oct.	31, 1981	Oct.	31, 2011	16.750	(UK £	35)	83	---
8P (F)(G)	April	18, 1984	April	18, 2019	11.750	(UK £	Swap to US)	---	---
9A	Nov.	9, 1988	Nov.	9, 1998	5.400	(Yen	30,000,000)	318,900	92,505
9H	Nov.	30, 1990	Nov.	30, 2000	7.700	(Yen	30,000,000)	318,900	67,088
9R	Aug.	25, 1994	Aug.	25, 2014	5.500	(Yen	15,000,000)	159,450	12,826
9Q (F)	Aug.	30, 1994	Aug.	30, 2004	4.900	(Yen	35,000,000)	372,050	29,915
								1,401,683	249,181
								$ 10,830,809	$ 1,642,280

The following is a schedule of debentures maturing in each of the next five fiscal years with related sinking funds. Amounts payable in foreign currencies, and related sinking funds invested in foreign currencies, are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.

For the Year ending March 31	Maturing Debentures	Related Sinking Funds
	(in thousands)	
1999	$ 679,650	$ 169,360
2000	793,223	168,408
2001	942,117	159,632
2002	1,163,285	148,743
2003	813,372	145,672

Notes:

(a) Serial maturity

(A) Debentures held by the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice when he deems it necessary in order to meet the requirements of the Canada Pension Plan.
Amounts are borrowed monthly and consolidated into one debenture annually.

The Province has established sinking funds for retirement of borrowings from the Canada Pension Plan Investment Fund, with annual payments commencing one year after the consolidation of monthly borrowings.

(B) Debenture issues to be retired through annual principal payments during the years indicated.

(C) Sinking fund payments normally commence on the first anniversary date of the issue of the debentures, and are generally designed to retire the debt over a 20 year period, unless the term of the issue is longer. Sinking fund investments consist primarily of debentures of the Province of Nova Scotia and Government of Canada.

(D) Debentures payable in U.S. currency totalling U.S. $3,261,940,000 and related sinking funds of U.S. $336,545,870 are reflected at the rate of exchange in effect at March 31, 1998.

(E) Canadian dollar equivalent at rates of exchange in effect at March 31, 1998.

(F) The Province has executed the following swap contracts to convert certain interest payments from a fixed to floating, or floating to floating basis for the fiscal year ended March 31, 1998.

# of Swaps	**Currency**	**Principal** (in thousands)	**Term** (years)	**Reset Index**	**Spread**	**Mark to Market** ($ millions) *
42	CDN$	$ 1,202,574	2 to 22	3 mth CAD-BA-CDOR	-0.20 to 3.61	105.26
3	US$	$ 700,000	4 to 10	3 mth USD-LIBOR 3 mth CAD-BA-CDOR	no spread -0.54 to -0.55	52.59
3	UK	£ 143,215	2 to 10	6 mth GBP-LIBOR-BBA 6 mth USD-LIBOR-BBA	-0.01 to +2.96 +2.85	21.40
3	YEN	¥ 63,000,000	2 to 5	3 mth USD-LIBOR-BBA 6 mth JPY-LIBOR-BBA 3 mth CAD-BA-CDOR	-0.18 +0.67 -0.01	11.86

* Mark to Market is an indication of the swap's market value as at March 31, 1998. This represents the estimated realizable gain and is equivalent to the present value of future interest savings based on market conditions as at March 31, 1998.

(G) The Province has also executed several currency swap contracts to convert foreign denominated debt into Canadian or United Stated denominated debt as follows:

Original Currency		Original Principal ($ thousands)	Current Currency	Current Principal ($ thousands)
US	$	250,000	CDN $	345,312
US	$	250,000	CDN $	345,312
UK	£	60,000	US $	98,736
UK	£	23,215	US $	38,204
YEN	¥	3,000,000	CDN $	41,436
YEN	¥	25,000,000	US $	223,314

The Province has also executed several foreign currency forward agreements to convert a $30 billion Yen commitment due in November, 1998, to a U.S. dollars principal of $248.5 million.

Schedule 17

PROVINCE OF NOVA SCOTIA

Continuity of Sinking Funds on Debentures and Public Debt Retirement Funds
for the year ended March 31, 1998

		1998		1997
		(in thousands)		
Balance - April 1	$	2,261,843	$	1,964,887
Add: Instalments paid during the year		151,021		166,596
Provision for Debt Retirement		800		—
Interest earned		201,537		185,944
Increase in unrealized gain in respect of the translation of foreign currency sinking funds		14,390		14,125
		2,629,591		2,331,552
Deduct: Amounts withdrawn respecting maturing debt		207,264		69,709
Balance - March 31	$	2,422,327	$	2,261,843

Continuity of Sinking Funds on Hospital and School debt
for the year ended March 31, 1998

		1998		1997
Balance - April 1	$	90,068	$	102,130
Add: Instalments paid during the year		11,122		11,709
Interest earned		7,480		6,332
		108,670		120,171
Deduct: Amounts withdrawn respecting maturing debt		—		30,103
Balance - March 31	$	108,670	$	90,068
Total Sinking Funds Balance - March 31	$	2,530,997	$	2,351,911

Note: During the year the Province made the following payments in respect of the retirement of capital liabilities:

Sinking Fund Instalments	$	156,574	$	178,305
Serial Retirement Payments		29,541		32,706
		186,115		211,011
Less: Amounts pertaining to borrowings for certain Crown corporations, and Government of Canada loans on behalf of municipalities		292		504
Charged to Current Account	$	185,823	$	210,507

Schedule 18

PROVINCE OF NOVA SCOTIA

Continuity of Unamortized Discount/Premium on Debentures for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Balance - Beginning of year	$ 67,562	$ 61,073
Add: Discounts/(premiums) respecting Debentures issued or called during the year	(11,484)	11,370
	56,078	72,443
Less: Amortization of Debenture discounts/(premiums) during the year	3,752	4,881
Balance - End of year	$ 52,326	$ 67,562

Note: Discounts and underwriting commissions related to the issuance of debentures are amortized over the terms of the related debenture issues by charges to current expenditures.

Schedule 19

PROVINCE OF NOVA SCOTIA

Continuity of Deferred Charge - Unrealized Foreign Exchange for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Net Loss - Beginning of year	$ 530,416	$ 777,698
Add: (Decrease) Increase in unrealized loss in respect of the translation of foreign currency debt and sinking funds	22,196	(247,282)
Net Loss - End of year	$ 552,612	$ 530,416

Schedule 20

PROVINCE OF NOVA SCOTIA

Continuity of Machinery Replacement Reserve
Department of Transportation and Public Works
for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Balance - Beginning of year	$ 41,506	$ 41,601
Add: Depreciation charged during the year	3,292	3,007
	44,798	44,608
Less: Accumulated depreciation on machinery disposed of during the year	2,911	2,102
Balance - End of year	$ 41,887	$ 42,506

Schedule 21

PROVINCE OF NOVA SCOTIA

Canada-Nova Scotia (Offshore) Development Fund
Statement of Continuity of Fund Expenditures
for the year ended March 31, 1998

		(in thousands)
Balance - Beginning of year	$	186,150
Expenditures during the year		
Industrial Infrastructure -		
Department of Economic Development & Tourism		2,336
Industrial Assistance -		
Department of Economic Development & Tourism		1,353
Department of Natural Resources		56
		3,745
Balance - End of Year (Note 2)	$	189,895

Notes:

1. The Canada-Nova Scotia Oil and Gas Agreement Act established a $200,000,000 Development Fund to support expenditures incurred by the Province that relate to offshore development. The Act and Agreements pursuant thereto provide that the Government of Canada may disburse up to $50,000,000 annually to the Province for each of the four fiscal years beginning in the 1984-85 fiscal year. Funds may be paid to the Province pursuant to the approval of projects by the Federal Minister of Energy, Mines and Resources. Funds not disbursed in one fiscal year may be carried forward and disbursed in subsequent fiscal years. The Canada-Nova Scotia Offshore Petroleum Resources Implementation Act continues the fund and provides for the Government of Canada to waive the repayment conditions of the Development Fund.

2. To March 31, 1998, $189,895,494 had been received from the Government of Canada in respect of approved projects to be financed from the Canada-Nova Scotia (Offshore) Development Fund, with the balance of $3,798,000 being reflected as an account receivable in the financial statements.

   At March 31, 1998, the unexpended portion of the $200,000,000 Development Fund was $10,104,506.

PROVINCE OF NOVA SCOTIA

Trust Fund Assets and Trust Funds
as at March 31, 1998

Investments	Cash and Short-Term Investments	Accounts Receivable**	Total Trust Fund Assets		Trust Funds
	(in thousands)				(in thousands)
$ 2,732,422	$ 255,057	$ 161,215	$ 3,148,694	Nova Scotia Teachers' Pension Fund	$ 3,148,694
2,489,867	256,502	(4,159)	2,742,210	Public Service Superannuation Fund	2,742,210
13,106	2,102	8,626	23,834	Miscellaneous Trusts	23,834
$ 5,235,395	$ 513,661	$ 165,682	$ 5,914,738		$ 5,914,738

** Includes amounts due to and from General Funds.

Schedule 23(A)

PROVINCE OF NOVA SCOTIA
Statement of Current Revenue and Net Expenditure
for the fiscal year ended March 31, 1998

	1998		1997
	Estimate	Actual (in thousands)	Actual
REVENUE			
Department of-			
Agriculture and Marketing	$ 515	$ 348	$ 432
Business and Consumer Services	384,726	401,655	1,133,992
Economic Development and Tourism	801	701	770
Environment	1,339	1,307	1,367
Finance-			
Income Taxes	1,052,123	1,119,244	1,063,839
Harmonized Sales Tax	709,787	716,897	---
Corporation Capital Tax	15,700	12,110	14,217
Corporation Capital Tax-NFI	39,400	35,000	---
Equalization Offshore Revenue Offset	710	990	1,132
Preferred Share Dividend	1,419	3,970	3,440
Federal-Provincial Fiscal Arrangements			
Equalization Payments	1,149,788	1,194,359	1,115,691
Canada Health and Social Transfer	437,771	438,669	536,412
Statutory Subsidies	2,307	2,306	2,306
Prior Years' Adjustment	---	75,962	52,899
Federal Compensation for Harmonization	118,600	118,600	---
Nova Scotia Gaming Corporation	143,024	141,172	133,388
Nova Scotia Liquor Commission	116,693	118,477	116,104
Interest	33,664	34,844	35,778
Other	300	410	41

Fisheries and Aquaculture	669	686	709
Housing and Municipal Affairs	9,500	10,184	10,061
Justice	1,933	1,144	977
Labour	768	407	684
Natural Resources	8,321	9,621	12,596
Public Service	10,816	7,911	8,355
Proceeds (Loss) from Sale of Crown Assets	---	(213)	855
	4,240,674	4,446,761	4,246,045

NET EXPENDITURE

Department of-			
Agriculture and Marketing	32,102	33,480	32,024
Business and Consumer Services	38,063	38,565	35,129
Community Services	548,245	556,825	544,931
Economic Development and Tourism	72,862	86,931	67,057
Education and Culture	742,727	743,177	737,043
Assistance to Universities	178,161	178,161	183,413
Environment	18,053	17,019	16,654
Finance	9,666	9,430	8,782
Debt Charges	855,180	797,785	811,081
Fisheries and Aquaculture	6,144	6,355	6,198
Restructuring Costs	31,510	54,267	35,627
Health	1,273,359	1,409,521	1,267,251
Housing and Municipal Affairs	77,537	78,620	75,168
Human Resources	4,032	4,003	4,029
Justice	75,257	75,257	89,117
Labour	10,838	24,145	14,676
Natural Resources	57,099	59,523	53,681
Public Service	45,248	53,664	45,729
Transportation and Public Works	157,877	171,974	166,604
Unallocated Recoveries	(42,000)	(20,134)	---
	4,191,960	4,378,568	4,194,194
Excess (Deficiency) of Revenues over Net Current Operating Expenditure	$ 48,714	$ 68,193	$ 51,851

PROVINCE OF NOVA SCOTIA

Comparison of Estimated and Actual Revenue
for the fiscal year ended March 31, 1998

	Estimate	Actual
	(in thousands)	
Department of-		
Agriculture and Marketing-		
General Agriculture	$ 15	$ ---
Nova Scotia Farm Loan Board	500	348
	515	348
Business and Consumer Services		
Amusement Tax - Cable TV	---	784
Gasoline and Diesel Oil Tax	199,500	204,114
2%/1% Vehicle Surtax	---	1,784
15% Private Sales Tax	---	13,759
Health Services Tax	8,000	12,454
Tobacco Tax	75,800	70,660
Registration Services	1,245	1,302
Condominium Property Act	20	25
Licenses - Insurance Companies	350	354
Licenses - Regulated Industries	370	204
Licenses - Trust and Loan Companies	270	259
Tax on Fire Insurance Premiums	1,950	1,702
Tax on Insurance Premiums	35,300	33,626
Companies Branch	5,721	5,744
Certificates of Registration	2,500	2,490
Commercial Registrations	18,100	18,567
Dealers' Licenses and Plates	300	311
Drivers' Licenses	4,800	4,337
Fines	3,150	1,716

Government of Canada	150	189
Miscellaneous Registrations	2,700	2,790
Miscellaneous Revenue	4,500	4,624
Motor Vehicle Inspection	900	810
Passenger Registrations	19,100	19,050
	384,726	401,655
Economic Development and Tourism		
Guarantee Fees	800	647
Lease Rentals	1	54
	801	701
Environment-		
Licenses and Permits	1,339	1,307
Finance-		
Individual Income Tax	939,079	997,562
Corporation Income Tax	113,044	121,682
Corporation Capital Tax	15,700	12,110
Capital Tax on Non-Financial Institutions	39,400	35,000
Harmonized Sales Tax - Net of Provincial Rebates	668,879	716,897
Levy on Private Sales of Used Vehicles	22,746	---
Transition Tax on Cars and Heavy Equipment	18,162	---
Federal-Provincial Fiscal Arrangements-		
Equalization Payments	1,149,788	1,194,359
Canada Health and Social Transfer	437,771	438,669
Statutory Subsidies	2,307	2,306
Prior Years' Adjustments	---	75,962
Federal Compensation for Harmonization	118,600	118,600
Nova Scotia Gaming Corporation Profits	143,024	141,172
Nova Scotia Liquor Commission Profits	116,693	118,477
Interest	33,664	34,844
Preferred Share Dividend	1,419	3,970
Equalization Offshore Revenue Offset	710	990

Other-		
Miscellaneous	300	410
	3,821,286	4,013,010
Fisheries-		
Aquaculture Leases and Licenses	29	40
Licenses and Royalties (Sea Plant Harvesting)	40	18
Sport Fishery Licence	600	628
	669	686
Housing and Municipal Affairs-		
Registry of Deeds	9,500	10,184
	9,500	10,184
Justice-		
Employees' Rent	4	4
Fines - Criminal Prosecutions	1,861	1,089
Fines - Young Offenders Act	8	5
Miscellaneous	60	46
	1,933	1,144
Labour-		
Boiler Safety Inspection	500	108
Elevators and Lifts Act	200	203
Mine Examination	3	4
Permits-Blasters	2	3
Permits-Fire Marshal Division	22	43
Stationary Engineers Act	41	46
	768	407
Natural Resources-		
Exploration Claims	177	169
Fines and Forfeitures	45	86
Game and Fishing Licenses	1,480	1,311
Gypsum Tax	833	896

Leases and Grants	262	406
Rentals - Minerals	127	64
Rentals - Petroleum Licenses	20	56
Royalties - Coal	634	854
Royalties - Other	288	313
Royalties - Petroleum	1,400	1,391
Timber and Fuelwood Licenses	2,980	4,040
Miscellaneous	75	35
	8,321	9,621
Public Service-		
Licenses and Fees - Nova Scotia Gaming Control Commission	7,921	3,397
Motor Carrier Act - Passenger	29	28
Nova Scotia Boxing Authority	2	1
Nova Scotia Securities Commission	2,864	4,485
	10,816	7,911
Proceeds from Sale of Crown Assets	---	(213)
Total Current Revenue	$ 4,240,674	$ 4,446,761

Schedule 23(C)

PROVINCE OF NOVA SCOTIA
Comparison of Authorized and Actual Expenditures
for the fiscal year ended March 31, 1998

	Current Estimate	Capital Estimate	Orders in Council	Resolution Pending	Total Authority (in thousands)	Current Actuals	Capital Actuals	Total Actuals	Favourable Variance from Authority
Department of									
Agriculture and Marketing	$ 32,102	$ ---	$ 1,421	$ ---	33,523	$ 33,480	$ ---	$ 33,480	$ 43
Business and Consumer Services	38,063	---	678	---	38,741	38,565	---	38,565	176
Community Services	548,245	---	9,050	---	557,295	556,825	---	556,825	470
Economic Development & Tourism	72,862	1	14,095	---	86,958	86,931	---	86,931	27
Education and Culture	742,727	29,036	---	---	771,763	743,177	28,472	771,649	114
Assistance to Universities	178,161	4,819	---	---	182,980	178,161	4,819	182,980	---
Environment	18,053	---	---	---	18,053	17,019	---	17,019	1,034
Finance	9,666	---	---	---	9,666	9,430	---	9,430	236
Debt Charges	855,180	---	---	---	855,180	797,785	---	797,785	57,395
Fisheries and Aquaculture	6,144	---	219	---	6,363	6,355	---	6,355	8
Restructuring Costs	31,510	---	---	22,757 (B)	54,267	54,267	---	54,267	---
Health	1,273,359	12,738	---	140,916 (B)	1,427,013	1,409,521	17,165	1,426,686	327
Housing and Municipal Affairs	77,537	25,726	---	---	103,263	78,620	18,244	96,864	6,399
Human Resources	4,032	---	---	---	4,032	4,003	---	4,003	29
Justice	75,257	---	---	---	75,257	75,257	---	75,257	---
Labour	10,838	---	---	13,307 (B)	24,145	24,145	---	24,145	---
Natural Resources	57,099	200	2,844	---	60,143	59,523	5	59,528	615
Public Service									
Communications Nova Scotia	1,973	---	---	---	1,973	1,563	---	1,563	410
Executive Council	5,465	---	---	---	5,465	5,089	---	5,089	376
Government Contributions to Benefit Plans	3,350	---	173	---	3,523	3,523	---	3,523	---
Human Rights Commission	1,326	---	125	---	1,451	1,442	---	1,442	9
Legislative Services	11,907	---	6,698	---	18,605	17,912	---	17,912	693
Nova Scotia Advisory Council on the Status of Women	678	---	---	---	678	604	---	604	74
Nova Scotia Boxing Authority	63	---	---	---	63	40	---	40	23
Nova Scotia Gaming Control Commission	1	---	---	---	1	---	---	---	1
Nova Scotia Police Commission	264	---	---	---	264	236	---	236	28
Nova Scotia Securities Commission	899	---	---	---	899	865	---	865	34

Nova Scotia Sport and Recreation Commission	3,979	2,158	---	---	6,137	3,979	2,158	6,137	---
Nova Scotia Utility and Review Board	2,489	---	---	---	2,489	2,489	---	2,489	---
Office of the Auditor General	1,623	---	---	---	1,623	1,476	---	1,476	147
Office of the Ombudsman	309	---	65	---	374	369	---	369	5
Public Inquiry, Westray Mine	300	---	275	---	575	556	---	556	19
Public Prosecution Service	8,380	---	836	---	9,216	9,100	---	9,100	116
Technology and Science Secretariat	2,242	---	2,163	15 (B)	4,420	4,420	---	4,420	---
Transportation and Public Works	157,877	97,964	---	7,340 (B)	263,181	171,974	91,206	263,180	1
Unallocated Recoveries	(42,000)	---	---	---	(42,000)	(20,134)	---	(20,134)	(21,866)
Statutory Item (No Vote Required)									
Department of -									
Transportation and Public Works	---	---	3,292 (A)	---	3,292	---	3,292	---	3,292
	4,191,960	172,642	41,934	184,335	4,590,871	4,378,567	165,361	4,540,636	50,235
Capital Advances									
Advances to the Government of Canada under the Canada-Nova Scotia Crop Re-Insurance Agreement	---	---	45	---	45	---	---	---	45
	$ 4,191,960	$ 172,642	$ 41,979	$ 184,335	$ 4,590,916	$ 4,378,567	$ 165,361	$ 4,540,636	$ 50,280

Notes:

(A) Machinery purchases of $3.292 million are considered to be provided through depreciation charges in the Department of Transportation and Public Works in the year.

(B) A Resolution will be introduced in the Legislature seeking authorization to increase Net Program Spending by a further $184.335 million.

Schedule 24

PROVINCE OF NOVA SCOTIA
Details of Net Capital Expenditures
for the fiscal year ended March 31, 1998

Department and Item	**Expenditure**	**Recovery** (in thousands)	**Net**
OTHER -			
Natural Resources	$ 125	$ 120	$ 5
TOTAL OTHER	125	120	5
CAPITAL GRANTS -			
Education	28,508	36	28,472
Assistance To Universities	4,819	---	4,819
Health	17,165	---	17,165
Housing and Municipal Affairs	29,495	11,251	18,244
Public Service	2,158	---	2,158
Transportation and Public Works	84	---	84
TOTAL CAPITAL GRANTS	82,229	11,287	70,942
TRANSPORTATION AND PUBLIC WORKS -			
Department Program	79,847	---	79,847
Machinery Purchases	(3,292)	---	(3,292)
TOTAL TRANSPORTATION AND PUBLIC WORKS	76,555	---	76,555

PUBLIC WORKS AND SPECIAL PROJECTS -			
Agriculture and Marketing	1,640	---	1,640
Economic Development and Tourism	1,050	---	1,050
Education and Culture	1,137	---	1,137
Health	398	---	398
Justice	331	---	331
Natural Resources	6	---	6
Transportation and Public Works	6,713	---	6,713
TOTAL PUBLIC WORKS AND SPECIAL PROJECTS	11,275	---	11,275
HIGHWAYS MACHINERY-DEPRECIATION CHARGES	3,292	---	3,292
TOTAL CAPITAL EXPENDITURES	$ 173,476	$ 11,407	$ 162,069

Schedule 25

PROVINCE OF NOVA SCOTIA
Statement of Borrowing Powers
as at March 31, 1998
Authority Created by Chapter 1, 1995, Chapter 1, 1996 and Chapter 1, 1997

	Amount of Issue	Authority Chapter 1 1995	Chapter 1 1996	Chapter 1 1997
		(in thousands)		
Authority		$ 1,000,000	$ 500,000	$ 700,000
Authority used in prior years:				
Year ended March 31, 1997		392,900		...
Balance of Authority - March 31, 1998		607,100	500,000	700,000
Year Ended March 31, 1997				
Debenture Series 7Q (Note A)	$ 9,511	...	...	...
Debenture Series 9Z	$ 300,000	300,000	...	...
Debenture Series A1	$ 250,000	250,000	...	...
Debenture Series A2 (US$ 375,000,000 * 1.4217)	$ 533,138	57,100	476,037	...
		607,100	476,037	...
Balance of Authority - March 31, 1998		$ ...	$ 23,963	$ 700,000
Additional Borrowing Powers:				
Cape Breton Industrial Assistance Act - Chapter 60, R.S.N.S. 1989		$ 10,000		
Housing Act - Chapter 211, R.S.N.S. 1989		No Limit		
Housing Development Corporation Act - Chapter 213, R.S.N.S. 1989		No Limit		
Municipal Finance Corporation Act - Chapter 301, R.S.N.S. 1989		No Limit		
Sydney Steel Corporation Act - Chapter 456, R.S.N.S. 1989		No Limit		
Finance Act - Chapter 365, R.S.N.S. 1989 (OIC# 95-786)		No Limit		

Notes:

(A) By Order of the Lieutenant Governor in Council (No. 77-1525 dated December 13, 1977), Debentures, Series 7Q, in the amount of $118,904 were authorized and charged to Chapters 1, 1974, 1975, and 1976. By agreement, the proceeds of this debenture issue will be realized over a twenty-year period with debentures being issued quarter-yearly beginning April 1, 1978. On January 1, 1998, the debentures matured.

PROVINCE OF NOVA SCOTIA

Statement of Comparative Current Revenue and Expenditures
for the fiscal years ended March 31,

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Compound Growth Rates 1989-93	1994-98	1989-98	Ten-year Total	% of Totals
Revenue															
Provincial Sources															
Income Taxes	$ 943,380	$ 923,749	$ 1,013,790	$ 1,024,232	$ 981,768	$ 1,012,356	$ 988,553	$ 980,910	$ 1,063,839	$ 1,119,244	3.9%	2.5%	3.2%	$ 9,961,728	26.7%
Sales Taxes	809,737	870,088	906,834	858,814	888,083	955,367	981,580	1,012,071	1,025,985	1,010,668	2.3%	1.6%	2.6%	9,337,237	25.1%
Interest Revenue (1)	79,179	92,378	88,563	68,924	73,141	47,514	54,465	38,481	35,567	34,852	-2.0%	-7.5%	-8.7%	593,054	1.6%
Liquor Commission	80,750	83,349	73,800	78,840	75,445	71,746	67,206	113,175	116,104	118,477	-1.7%	13.6%	4.4%	880,000	2.4%
Gaming Revenue	29,888	26,957	26,874	39,025	74,448	72,376	62,768	121,631	133,380	141,172	25.6%	18.2%	18.8%	758,827	2.0%
Other Provincial Revenue	126,131	144,731	108,840	175,990	186,848	193,624	177,932	158,947	162,890	183,665	10.5%	-1.3%	4.4%	1,678,698	4.5%
Proceeds (Loss) from Sale of Crown Assets	13,231	306	524	2,716	1,709	796	2,004	361	864	(213)	40.1%	—	—	22,270	0.1%
Federal Sources															
Equalization	785,821	865,184	931,600	900,162	969,175	872,254	1,015,774	1,126,187	1,115,881	1,194,358	2.2%	8.2%	4.6%	9,686,217	26.0%
Established Programs Financing	365,488	367,608	344,298	348,048	369,866	362,057	372,402	384,663	—	—	0.3%	-100.0%	-100.0%	2,884,438	7.8%
Canada Health and Social Transfer (3)	—	—	—	—	—	—	—	—	536,412	438,669	—	—	—	975,081	2.6%
Revenue Stabilization Claim	—	—	—	—	56,257	—	—	—	—	—	—	—	—	56,257	0.1%
Prior Years' Adjustments Federal /Provincial Fiscal Arrangements	53,504	24,146	16,343	32,108	(63,741)	(41,927)	88,083	49,878	52,880	75,962	—	—	4.0%	287,356	0.8%
Federal Compensation for Harmonization	—	—	—	—	—	—	—	—	—	118,600	—	—	—	118,600	0.3%
Other Federal Payments	2,251	2,251	2,251	2,251	2,283	2,306	2,077	2,306	2,306	2,306	0.5%	—	0.3%	22,598	0.1%
	3,198,469	3,400,845	3,553,617	3,533,211	3,512,290	3,548,458	3,862,863	3,968,810	4,246,045	4,446,761	2.4%	5.6%	3.7%	37,271,388	100.0%
Expenditures															
General Government	110,882	106,049	109,633	130,849	113,683	114,080	117,009	102,671	64,900	118,233	0.6%	0.9%	0.7%	1,088,017	2.8%
Public Protection	80,150	90,158	100,772	93,047	107,629	105,417	100,181	145,378	134,034	130,194	7.0%	5.4%	5.5%	1,086,960	2.8%
Transportation and Communications	136,981	148,367	140,156	142,986	132,621	129,207	121,648	108,749	183,506	135,928	-0.8%	1.3%	-0.1%	1,379,218	3.6%
Resource Development (2)	176,158	186,916	184,333	173,056	187,479	145,080	135,064	148,170	148,201	157,705	1.6%	2.1%	-1.2%	1,651,252	4.3%
Health	987,701	1,071,323	1,134,583	1,207,367	1,280,932	1,214,839	1,177,406	1,223,406	1,287,064	1,428,525	6.7%	4.1%	4.2%	12,013,226	31.2%
Social Services	219,328	247,483	275,789	302,635	242,072	276,533	276,412	301,121	547,417	570,858	2.5%	19.9%	11.2%	3,259,648	8.5%
Education	881,124	928,382	977,331	1,002,426	1,000,630	978,084	957,520	915,897	900,378	900,698	3.2%	-2.1%	0.2%	9,443,070	24.5%
Culture and Recreation	27,415	38,482	37,300	39,610	38,158	36,823	38,490	34,278	33,834	36,230	9.3%	-0.4%	3.1%	361,620	0.9%
Debt Charges	560,128	570,871	671,702	694,961	803,577	865,378	911,626	896,588	811,082	797,785	9.4%	-2.0%	4.0%	7,583,698	19.7%
Municipal Affairs	66,319	67,018	67,331	65,414	74,068	65,844	68,273	48,605	49,064	49,066	2.8%	-7.6%	-3.5%	616,999	1.6%
Furlough/Restructuring	—	—	—	—	—	(41,103)	41,975	45,585	35,627	54,267	—	—	—	136,351	—
	3,246,274	3,462,049	3,698,941	3,852,320	3,981,857	3,890,802	3,945,604	3,968,448	4,194,195	4,378,568	5.2%	3.0%	3.4%	38,482,707	100.0%
Current Account Deficit (Surplus)	$ 47,805	$ 61,204	$ 145,324	$ 319,108	$ 469,567	$ 342,344	$ 82,741	$ (362)	$ (51,850)	$ (68,193)	77.0%	100.0%	100.0%	1,211,338	3.1% (A)

(1) Commencing in the year ended March 31, 1980, the Province recorded accrued interest revenue on the outstanding advances of the various Resource Development Loan Funds

(2) Commencing in the year ended March 31, 1997, proceeds from the Sale of Crown Assets are recorded as revenue. Sale of Crown Assets was previously netted against Capital Expenditure. Prior years have been restated

(3) In 1996-97, federal funding provided under the new Canada Health and Social Transfer program is included in Ordinary Revenue

(A) % of total expenditure

Schedule 27

PROVINCE OF NOVA SCOTIA

Statement of Comparative Net Capital Expenditures
for the years ended March 31,

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Accumulated Expenditures 1989-93	 1994-98	 1989-98	% of 10 yr. Total
Net Capital Expenditure														
General Government	$ 28,906	$ 10,420	$ 4,759	$ 6,725	$ 9,219	$ 5,654	$ 1,982	$ 11,623	$ —	$ 6,713	$ 60,029	$ 25,972	$ 86,001	3.2%
Public Protection	2,803	2,576	1,634	3,027	4,375	3,672	4,281	7,944	1,455	331	14,415	17,683	32,098	1.2%
Transportation and Communications	118,722	134,801	99,651	99,311	156,151	132,062	97,420	132,022	70,990	79,931	608,636	512,425	1,121,061	42.3%
Resource Development	60,555	76,325	45,774	37,688	32,895	32,620	18,700	15,158	988	1,061	253,237	68,527	321,764	12.1%
Health	34,421	37,580	48,991	41,745	45,037	74,469	64,166	49,820	19,348	17,563	207,774	225,366	433,140	16.3%
Social Services	318	191	203	439	549	314	36	367	58	--	1,700	775	2,475	0.1%
Education	14,658	21,201	12,525	11,135	14,494	39,742	32,364	42,093	52,922	35,703	74,013	202,824	276,837	10.4%
Culture and Recreation	10,392	22,139	7,159	6,502	6,979	6,161	3,153	3,145	2,485	2,523	53,171	17,467	70,638	2.7%
Municipal Affairs	27,114	30,585	31,062	28,348	28,016	30,677	40,098	55,692	19,196	18,244	145,125	163,907	309,032	11.6%
Total Net Capital Expenditure	$ 297,889	$ 335,818	$ 251,758	$ 234,920	$ 297,715	$ 325,371	$ 262,200	$ 317,864	$ 167,442	$ 162,069	$ 1,418,100	$ 1,234,946	$ 2,653,046	100.0%

Schedule 28

PROVINCE OF NOVA SCOTIA

Comparative Surplus (Deficit)
as at March 31, 1998

(in thousands)

	Net Current Account	Net Capital Expenditures	Sinking Fund Earnings	Comparative Surplus (Deficit)
For the Fiscal Year:				
1997-98	$ 68,193	$ 162,069	$ 132,372	$ 38,496
1996-97	51,850	167,442	123,868	8,276
1995-96	362	317,864	116,400	(201,102)
1994-95	(82,741)	262,200	109,870	(235,071)
1993-94	(342,344)	325,371	120,793	(546,922)
1992-93	(469,567)	297,715	152,028	(615,254)
1991-92	(319,109)	234,920	152,036	(401,993)
1990-91	(145,324)	251,758	142,683	(254,399)
1989-90	(61,204)	335,818	130,735	(266,287)
1988-89	(47,805)	297,889	117,815	(227,879)
1987-88	(114,734)	219,239	108,011	(225,962)
1986-87	(181,515)	193,926	102,356	(273,085)

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL SUMMARY

The Honourable Donald R. Downe
Minister of Finance
Province of Nova Scotia
Halifax, Nova Scotia.

Sir:

We have audited the financial statements of the Province of Nova Scotia for the years ended March 31, 1998 and 1997 (collectively referred to as "financial statements" of the Province". The financial statements are included in the Public Accounts of the Province, together with our auditors' report thereon dated July 21, 1998.

In addition, we have examined the accompanying consolidated financial summary of the Province for the years ended March 31, 1998 and 1997. The consolidated financial summary is the responsibility of the Province. Our responsibility is to express an opinion on the summary based on our examination. As disclosed in Note 1, the consolidated financial summary has been prepared for the purpose of illustrating the entity theory of financial reporting and is not a required part of the Province's financial statements.

In our opinion, the additional information provided by the consolidated financial summary is fairly presented, in all material respects, in accordance with the basis of accounting described in Note 1, and when considered in relation to the Province's financial statements taken as a whole.

DELOITTE & TOUCHE
Chartered Accountants

Toronto, Ontario
July 21, 1998

Province of Nova Scotia

Summary Statement of Consolidated Financial Position

as at March 31, 1998

(in thousands)

	Province of Nova Scotia (non-consolidated)	Nova Scotia Housing Development Corporation	Nova Scotia Housing Development Fund	Nova Scotia Municipal Finance Corporation	Nova Scotia Power Finance Corporation	Other	1998	1997
Assets								
Cash and short-term investments	$ 724,950	$ —	$ —	$ 5,582	$ —	$ (349)	$ 730,183	$ 119,111
Accounts receivable and advances	1,027,212	14,797	25	20,265	—	484	1,062,783	651,520
Notes receivable - Nova Scotia Power Inc.	—	—	—	—	—	—	—	8,400
Loans and investments	443,805	24,131	37,916	639,546	—	(98,472)	1,046,926	975,815
Equity interest in government organizations	—	—	—	—	—	17,803	17,803	19,660
Unamortized foreign exchange translation gains and discount on debentures	604,938	—	—	45	—	15	604,998	598,051
	$ 2,800,905	$ 38,928	$ 37,941	$ 665,438	$ —	$ (80,519)	$ 3,462,693	$ 2,372,557
Liabilities								
Bank advances and short-term borrowings	$ 826,169	$ 12,750	$ —	$ —	$ —	$ 909	$ 839,828	$ 403,533
Accounts payable	459,422	4,016	99,064	18	—	(95,937)	466,583	282,809
Federal/Provincial Fiscal Arrangements	228,889	—	—	—	—	—	228,889	351,035
Accrued interest	264,295	—	—	20,359	—	(23)	284,631	277,154
Unmatured debt	8,527,367	334,851	36,455	639,256	—	—	9,537,929	8,461,195
Pension and retirement obligations	291,138	—	—	—	—	—	291,138	866,749
Deficiency in net assets of certain government organizations	572,755	—	—	—	—	—	572,755	463,911
	11,170,035	351,617	135,519	659,633	—	(95,051)	12,221,753	11,106,386
Net Direct Debt	(8,369,130)	(312,689)	(97,578)	5,805	—	14,532	(8,759,060)	(8,733,829)
	$ 2,800,905	$ 38,928	$ 37,941	$ 665,438	$ —	$ (80,519)	$ 3,462,693	$ 2,372,557
Trust Funds under Administration	$ 5,914,738	$ —	$ —	$ 155,185	$ —	$ 19,042	$ 6,088,965	$ 5,016,726

Contingent liabilities (Note 2)

Province of Nova Scotia

Summary Statement of Consolidated Revenue and Expenditures
for the fiscal year ended March 31, 1998
(in thousands)

	Province of Nova Scotia (non-consolidated)	Nova Scotia Housing Development Corporation	Nova Scotia Housing Development Fund	Nova Scotia Municipal Finance Corporation	Nova Scotia Power Finance Corporation	Other	1998	1997
Revenue (Schedule 1)	$ 4,446,761	$ 25,888	$ ---	$ 56,383	$ 1,800	$ (116,118)	$ 4,414,714	$ 4,209,050
Program Expenditures (Schedule 2)	3,742,852	408	7,465	175	---	4,756	3,755,656	3,553,265
Excess of Revenue over Program Expenditures	703,909	25,480	(7,465)	56,208	1,800	(120,874)	659,058	655,785
Debt Servicing Costs	797,785	22,105	---	56,355	1,800	236	878,281	885,633
Current Account Surplus (Deficit)	(93,876)	3,375	(7,465)	(147)	---	(121,110)	(219,223)	(229,848)
Sinking Fund Earnings	132,372	---	---	---	---	---	132,372	123,868
Surplus (Deficit) Before Distribution	38,496	3,375	(7,465)	(147)	---	(121,110)	(86,851)	(105,980)
Provision for Distribution of Budgetary Surplus	(10,000)	---	---	---	---	---	(10,000)	---
Equity Interest in Net Income of Government Enterprises	---	---	---	---	---	116,620	116,620	116,074
Surplus (Deficit)	$ 28,496	$ 3,375	$ (7,465)	$ (147)	$ ---	$ (4,490)	$ 19,769	$ 10,094

Province of Nova Scotia
Summary Statement of Consolidated Net Direct Debt
for the fiscal year ended March 31, 1998
(in thousands)

	Province of Nova Scotia (non-consolidated)	Nova Scotia Housing Development Corporation	Nova Scotia Housing Development Fund	Nova Scotia Municipal Finance Corporation	Nova Scotia Power Finance Corporation	Other	1998	1997
Net Direct Debt - beginning of year	$ 8,588,486	$ 88,349	$ 81,967	$ (5,952)	$ —	$ (19,021)	$ 8,733,829	$ 8,878,127
Prior period Adjustments								
Vacation Pay Liability	—	—	—	—	—	—	—	2,500
Student Loan Risk Premiums	—	—	—	—	—	—	—	3,636
Industrial Expansion Fund	—	—	—	—	—	—	—	9,307
NS Housing Development Fund	—	—	8,146	—	—	—	8,146	—
Net Direct Debt - beginning of year as restated	8,588,486	88,349	90,113	(5,952)	—	(19,021)	8,741,975	8,893,570
Add (Subtract):								
Deficit (Surplus) for the year	(28,496)	(3,375)	7,465	147	—	4,490	(19,769)	(10,094)
Change in Deficiency in net assets of government organizations	109,279	227,714	—	—	—	—	336,993	(24,403)
Pension Obligations	(300,139)	—	—	—	—	—	(300,139)	(125,244)
Total Additions (Reductions) to Net Direct Debt	(219,356)	224,339	7,465	147	—	4,490	17,085	(159,741)
Net Direct Debt - end of year	$ 8,369,130	$ 312,688	$ 97,578	$ (5,805)	$ —	$ (14,531)	$ 8,759,060	$ 8,733,829

Schedule 1

Province of Nova Scotia

Summary Consolidated Schedule of Revenue
for the fiscal year ended March 31, 1998
(in thousands)

	Province of Nova Scotia (non-consolidated)	Nova Scotia Housing Development Corporation	Nova Scotia Housing Development Fund	Nova Scotia Municipal Finance Corporation	Nova Scotia Power Finance Corporation	Other	1998	1997
Provincial Sources								
Income Taxes	$ 1,119,244	$ —	$ —	$ —	$ —	$ —	$ 1,119,244	$ 1,063,839
Sales Taxes	1,019,668	—	—	—	—	—	1,019,668	1,025,995
Interest Revenue - Loans	—	—	—	55,714	—	—	55,714	96,074
- Other	34,852	2,859	—	669	1,800	209	40,389	6,621
Liquor Commission	118,477	—	—	—	—	(118,477)	—	—
Nova Scotia Gaming Corporation	141,172	—	—	—	—	—	141,172	133,388
Other Provincial Revenue	182,675	8,222	—	—	—	2,150	193,047	174,971
Proceeds from sale of Crown Assets	(213)	—	—	—	—	—	(213)	854
Federal Sources								
Equalization	1,194,359	—	—	—	—	—	1,194,359	1,115,691
Canada Health and Social Transfer	438,669	—	—	—	—	—	438,669	536,412
Other Federal Payments	121,896	14,807	—	—	—	—	136,703	2,306
Prior Years' Adjustments-Federal Provincial Fiscal Arrangements	75,962	—	—	—	—	—	75,962	52,899
	$ 4,446,761	$ 25,888	$ —	$ 56,383	$ 1,800	$ (116,118)	$ 4,414,714	$ 4,209,050

Province of Nova Scotia

Summary Consolidated Schedule of Program Expenditures

for the fiscal year ended March 31, 1998

(in thousands)

	Province of Nova Scotia (non-consolidated)	Nova Scotia Housing Development Corporation	Nova Scotia Housing Development Fund	Nova Scotia Municipal Finance Corporation	Nova Scotia Power Finance Corporation	Other	1998	1997
Agriculture and Marketing	$ 33,480	$ —	$ —	$ —	$ —	$ 826	$ 34,306	32,826
Business and Consumer Services	38,565	—	—	—	—	—	38,565	35,622
Community Services	556,825	—	—	—	—	—	556,825	544,931
Economic Development and Tourism	86,931	—	—	—	—	3,930	90,861	67,983
Education and Culture	771,649	—	—	—	—	—	771,649	783,844
Assistance to Universities	182,980	—	—	—	—	—	182,980	187,832
Environment	17,019	—	—	—	—	—	17,019	18,599
Finance	9,430	—	—	—	—	—	9,430	8,782
Fisheries and Aquaculture	6,355	—	—	—	—	—	6,355	6,198
Health	1,426,686	—	—	—	—	—	1,426,686	1,286,226
Housing and Municipal Affairs	96,864	408	—	175	—	—	97,447	93,312
Human Resources	4,003	—	—	—	—	—	4,003	4,029
Justice	75,257	—	—	—	—	—	75,257	89,621
Labour	24,145	—	—	—	—	—	24,145	14,676
Natural Resources	59,528	—	—	—	—	—	59,528	53,677
Public Service	55,822	—	—	—	—	—	55,822	47,757
Transportation and Public Works	263,180	—	—	—	—	—	263,180	240,936
Restructuring Costs	54,267	—	—	—	—	—	54,267	35,627
Unallocated Recoveries	(20,134)	—	—	—	—	—	(20,134)	—
	$ 3,742,852	$ 408	$ —	$ 175	$ —	$ 4,756	$ 3,748,191	$ 3,552,478

PROVINCE OF NOVA SCOTIA

Notes to the Consolidated Financial Summary
March 31, 1998

1. BASIS OF PRESENTATION

The Public Accounts of the Province are presented annually to the Legislative Assembly and contain, among other information, the financial statements of the Province disclosing the detail of financial assets and liabilities, revenue, recoveries, and expenditure, as well as borrowing and investing authorities.

The consolidated financial summary is supplementary to the financial statements of the Province and is presented for the purpose of illustrating the effect of applying the entity theory of consolidation for certain government organizations and the modified equity basis of accounting for government enterprises.

This summary includes the accounts of the Consolidated Fund together with the financial assets, liabilities, revenues and expenditures of government organizations. The Province's interest in government enterprises is accounted for in the consolidated financial summary using the modified equity method.

Government organizations exist primarily to provide services to government and are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislative Assembly. Government enterprises are entities owned or controlled by the Province which have the financial and operating authority to carry on a business, selling goods and services
to individuals and non-government organizations as their principal activity and source of revenue. Government enterprises differ from other government organizations in their objectives, operations, relationship to the Province and financial reporting practices.

The financial statements of the Province included in the Public Accounts exclude government organizations and only reflect the Province's interest in government enterprises to the extent of provisions made in respect of deficiencies in net assets of certain crown corporations. As well, the financial statements recognize the operating results of Nova Scotia Liquor Commission and the Nova Scotia Gaming Corporation.

The following crown corporations and agencies of the Province are considered to be government organizations and are, with others, consolidated in these summary financial statements. Financial statements of each of these government organizations are presented separately in the Public Accounts - Volume II. The consolidated financial summary presents details of their accounts after having first amended their accounting policies to comply with those of the Province.

Nova Scotia Housing Development Corporation - Established to provide long-term mortgage financing through outside lenders for the Public Non-Profit Housing Program and various home ownership programs of the Department of Housing and Municipal Affairs. Administration and management of the corporation is provided by the Department of Housing and Municipal Affairs.

Effective October 1, 1997 the Nova Scotia Housing Development Corporation entered into an agreement to transfer program delivery responsibilities for certain social housing programs from Canada Mortgage and Housing Corporation (CMHC) to Nova Scotia Housing Development Corporation. The agreement includes the transfer of assets, liabilities and reserves and involves funding commitments. Under the agreement, CMHC transferred its interest in certain social housing investments located in Nova Scotia to the Corporation. The assets were transferred at CMHC's book value at October 1, 1997 of $240,978,257. The transfer was financed by long-term debt payable to CMHC in the same amount and the investments have been assigned as security for the related debt.

Nova Scotia Housing Development Fund - Established to provide financing for the mortgage, loan and land development programs of the Department of Housing and Municipal Affairs. Administration and management of the Fund is provided by the Department of Housing and Municipal Affairs.

Nova Scotia Municipal Finance Corporation - Established to provide financing of approved capital projects for municipalities, municipal enterprises, school boards and hospitals through a central borrowing authority. Borrowings of the corporation are guaranteed by the Province and the proceeds are reloaned to municipalities, municipal enterprises and participating hospitals on substantially the same terms as the corporation's borrowings. Administrative expenses are paid by an operating grant from the province.

Nova Scotia Power Finance Corporation - A provincial crown corporation whose sole purpose is to hold debt that is guaranteed by the Province. Nova Scotia Power Inc., a publicly owned utility, is responsible for the servicing of such debt.

Waterfront Development Corporation Limited - Established to redevelop and revitalize sections of the waterfronts of Halifax and Dartmouth in accordance with an agreement between the corporation and the Province. The Province guarantees the corporation's borrowings and provides annual operating grants.

The following crown corporations and agencies of the Province are considered to be government enterprises and are, with others, accounted for by the modified equity method in these summary consolidated financial statements. Financial statements of each of these government enterprises are presented separately in the Public Accounts - Volume II.

Nova Scotia Liquor Commission -Established to administer the Liquor Control Act, providing all retail liquor services in Nova Scotia.

Nova Scotia Resources Limited -Established to invest in and manage the Province's participation in petroleum, energy and mineral projects. The Province guarantees the corporation's borrowings.

Sydney Steel Corporation - Engaged in the manufacture and sale of steel products. The Province has provided substantial financial assistance to Sydney Steel Corporation and in January 1990, assumed responsibility for the bank debt which it had guaranteed. The Province continues to guarantee lines of credit for working capital purposes.

Nova Scotia Innovation Corporation - Established to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. The corporation receives an annual grant from the Province of Nova Scotia.

Highway 104 Western Alignment Corporation - Established to finance, construct, operate and maintain a 45 km stretch of highway between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia. The Province retains ownership of the highway, however, the Corporation is granted the right to operate and collect tolls for a thirty year period. The province is not liable for any debt of the Corporation.

In addition to these enterprises, the "Other" column on the statements reflects changes required to eliminate inter organizational transactions for organizations that are consolidated with the Province on a line by line basis.

Certain Nova Scotia public sector entities with which the Province may be seen to be affiliated are not considered to be part of the Reporting Entity and are excluded from these consolidated financial statements. Principal among these are:

Workers' Compensation Board of Nova Scotia - Considered to be distinct from the Reporting Entity. The province has no rights to any assets or financial surplus of the Board and no obligation in respect of any liabilities or deficiencies it may incur.

Halifax-Dartmouth Bridge Commission - Considered to be distinct from the Reporting Entity, partly on the basis of a 1993 decision of the Supreme Court of Nova Scotia. The Province provides direct guarantees in respect of certain debt obligations of the Commission.

2. CONTINGENT LIABILITIES

The Province acts a guarantor of debt issued by Crown corporations, agencies and various other entities under authorities provided by Provincial statutes. At March 31, 1998, outstanding bank loans, bonds, debentures, etc., directly guaranteed by the Province totalled $230,806,000, net of provisions for deficiency in net assets of certain crown corporations of $412,343,000, and hospital and public school debts of $93,385,000 and other miscellaneous items recorded as liabilities of the Province.

Of that amount, $189,656,000 relating to guarantees of obligations of government organizations have been included as liabilities in the summary consolidated financial position presented in this consolidated financial summary. Net remaining guarantees of the consolidated entity, after including guarantees, of $23,587,000 under the Nova Scotia Housing Development Corporation Act, totalled $64,737,000 at March 31, 1998.

3. YEAR 2000

The effects of the Year 2000 issue may be experienced before, on or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect the Province's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the entity, including those related to efforts of suppliers and other third parties, will be fully resolved.

The Province continues to prepare for and manage this risk. Each government department is responsible for identifying, creating, and executing remediation plans for date-sensitive systems that may impact their ability to continue normal operations. The costs associated with all year 2000 efforts are to be financed departmental operating budgets. A project team has been established to monitor and support the Province's year 2000 efforts as a whole. This team reports to a senior deputy minister of government.

4. COMMITMENTS

Commencing with the year ended March 31, 1996, the Province changed its authority for capital spending from two years to one year and combined that authority with current program spending. As a transitional measure, the Province accrued certain capital commitments for the year ended March 31, 1997 in the amount of $11.7 million (1996 - $50.9 million). This transitional measure has not been continued in subsequent years.

The Long-Term Disability plan, which is funded on an equal basis by the Province and its employees, has an estimated unfunded liability as at March 31, 1998 of approximately $44,800,000. As agreed to through a contractual arrangement between the Nova Scotia Government Employees Union and the Province, the Province is not required to fund this shortfall, therefore, no liability has been recorded in these financial statements.

ANALYSIS OF DEPARTMENTAL NET EXPENDITURES
OF THE PROVINCE OF
NOVA SCOTIA FOR THE FISCAL YEAR
ENDED MARCH 31, 1998

The following breakdown of net expenditures, follows the format of the Estimates of the Government of Nova Scotia for the fiscal year 1997-98. The figures represent the actual net expenditures summarized by category. Explanations of the organization or program level are contained in the Estimates book.

DEPARTMENT OF AGRICULTURE AND MARKETING

	Estimate	Actual
Senior Management		
Salaries and Benefits $	316,000.00 $	351,712.09
Operating Costs	355,000.00	299,595.00
Grants and Contributions	638,000.00	1,319,109.19
Gross Expenditures	**1,309,000.00**	**1,970,416.28**
Less: Fees and Other Charges	—	(202.20)
Less: Recoveries	(50,000.00)	(50,005.00)
Total Net Expenditures - Senior Management $	**1,259,000.00 $**	**1,920,209.08**
Policy Secretariat		
Salaries and Benefits $	781,000.00 $	649,470.36
Operating Costs	1,315,000.00	1,654,418.97
Gross Expenditures	**2,096,000.00**	**2,303,889.33**
Less: Chargeable to Other Departments	—	(3.45)
Less: Fees and Other Charges	—	(4.83)
Less: Recoveries	(8,000.00)	—
Total Net Expenditures - Policy Secretariat $	**2,088,000.00 $**	**2,303,881.05**
Rural Leadership		
Salaries and Benefits $	1,817,000.00 $	1,832,350.38
Operating Costs	576,000.00	609,825.98
Grants and Contributions	1,000.00	14,106.82
Gross Expenditures	**2,394,000.00**	**2,456,283.18**
Less: Fees and Other Charges	(25,000.00)	(36,089.73)
Less: Recoveries	(14,000.00)	(14,256.00)
Total Net Expenditures - Rural Leadership $	**2,355,000.00 $**	**2,405,937.45**
Marketing and Food Industry Development		
Salaries and Benefits $	487,000.00 $	473,701.31
Operating Costs	553,000.00	563,780.56
Grants and Contributions	490,000.00	380,600.82
Gross Expenditures	**1,530,000.00**	**1,418,082.69**
Less: Fees and Other Charges	(1,000.00)	(483.81)
Total Net Expenditures - Marketing and Food Industry Development $	**1,529,000.00 $**	**1,417,598.88**

	Estimate	Actual
Resource Stewardship		
Salaries and Benefits $	746,000.00 $	821,038.63
Operating Costs	1,017,000.00	905,735.11
Grants and Contributions	2,000.00	347,757.63
Gross Expenditures	**1,765,000.00**	**2,074,531.37**
Less: Fees and Other Charges	(10,000.00)	(8,551.29)
Less: Recoveries	—	(18,625.60)
Total Net Expenditures - Resource Stewardship $	**1,755,000.00 $**	**2,047,354.48**
Quality Evaluation		
Salaries and Benefits $	1,879,000.00 $	2,547,402.60
Operating Costs	752,000.00	1,075,845.51
Grants and Contributions	1,157,000.00	1,101,096.72
Gross Expenditures	**3,788,000.00**	**4,724,344.83**
Less: Chargeable to Other Departments	—	(12,263.40)
Less: Fees and Other Charges	—	(361,250.72)
Less: Recoveries	(290,000.00)	(2,437.42)
Total Net Expenditures - Quality Evaluation $	**3,498,000.00 $**	**4,348,393.29**
Business Development		
Salaries and Benefits $	1,455,000.00 $	1,366,715.70
Operating Costs	394,000.00	896,745.27
Grants and Contributions	8,437,000.00	9,312,261.51
Gross Expenditures	**10,286,000.00**	**11,575,722.48**
Less: Chargeable to Other Departments	—	(28,688.84)
Less: Fees and Other Charges	(115,000.00)	(227,918.00)
Less: Recoveries	(272,000.00)	(1,766,949.41)
Total Net Expenditures - Business Development $	**9,899,000.00 $**	**9,552,166.23**
Production Technology		
Salaries and Benefits $	2,887,000.00 $	2,721,194.92
Operating Costs	729,000.00	731,105.83
Grants and Contributions	552,000.00	441,764.41
Gross Expenditures	**4,168,000.00**	**3,894,065.16**
Less: Chargeable to Other Departments	—	(4,877.69)
Less: Fees and Other Charges	—	(6,507.03)
Less: Recoveries	(15,000.00)	(160.00)
Total Net Expenditures - Production Technology $	**4,153,000.00 $**	**3,882,520.44**

	Estimate	Actual
Boards and Commissions		
Salaries and Benefits $	308,000.00 $	276,145.42
Operating Costs	434,000.00	455,850.34
Grants and Contributions	9,000.00	1,100.00
Gross Expenditures	**751,000.00**	**733,095.76**
Less: Fees and Other Charges	(161,000.00)	(182,509.09)
Total Net Expenditures - Boards and Commissions $	**590,000.00 $**	**550,586.67**
Nova Scotia Agricultural College		
Salaries and Benefits $	9,934,000.00 $	10,092,075.61
Operating Costs	5,044,000.00	5,809,640.08
Grants and Contributions	—	70,413.08
Gross Expenditures	**14,978,000.00**	**15,972,128.77**
Less: Chargeable to Other Departments	(3,126,000.00)	(3,651,101.99)
Less: Fees and Other Charges	(6,476,000.00)	(6,786,504.28)
Less: Recoveries	(400,000.00)	(482,737.29)
Total Net Expenditures - Nova Scotia Agricultural College $	**4,976,000.00 $**	**5,051,785.21**
Total Net Expenditures - Agriculture and Marketing $	**32,102,000.00 $**	**33,480,432.78**

DEPARTMENT OF BUSINESS AND CONSUMER SERVICES

	Estimate	Actual
Senior Management		
Salaries and Benefits $	434,000.00 $	330,397.68
Operating Costs	126,000.00	163,807.59
Total Net Expenditures - Senior Management $	**560,000.00 $**	**494,205.27**
Corporate Services Unit		
Salaries and Benefits $	3,327,000.00 $	3,181,632.81
Operating Costs	930,000.00	1,119,296.18
Grants and Contributions	—	6,750.00
Gross Expenditures	**4,257,000.00**	**4,307,678.99**
Less: Chargeable to Other Departments	—	(28,260.00)
Less: Recoveries	(55,000.00)	—
Total Net Expenditures - Corporate Services Unit $	**4,202,000.00 $**	**4,279,418.99**
Transition Management		
Salaries and Benefits $	115,000.00 $	338,939.72
Operating Costs	3,885,000.00	1,489,047.24
Total Net Expenditures - Transition Management $	**4,000,000.00 $**	**1,827,986.96**
Service Delivery and Operations		
Salaries and Benefits $	10,404,000.00 $	9,737,182.27
Operating Costs	6,208,000.00	5,905,448.19
Grants and Contributions	10,000.00	27,800.00
Gross Expenditures	**16,622,000.00**	**15,670,430.46**
Less: Chargeable to Other Departments	(76,000.00)	(37,459.54)
Less: Fees and Other Charges	(1,845,000.00)	(1,561,512.83)
Less: Recoveries	(295,000.00)	(359,783.42)
Total Net Expenditures - Service Delivery and Operations $	**14,406,000.00 $**	**13,711,674.67**

	Estimate	Actual
Revenue, Compliance and Registry Services		
Salaries and Benefits .... $	9,928,000.00 $	9,592,883.60
Operating Costs	5,256,000.00	8,550,851.61
Grants and Contributions	38,000.00	37,500.00
Gross Expenditures	**15,222,000.00**	**18,181,235.21**
Less: Fees and Other Charges	(480,000.00)	(574,272.64)
Less: Recoveries	(835,000.00)	(552,137.67)
Total Net Expenditures - Revenue, Compliance and Registry Services .... $	**13,907,000.00 $**	**17,054,824.90**
Policy and Business Development		
Salaries and Benefits .... $	650,000.00 $	625,289.21
Operating Costs	421,000.00	571,152.13
Gross Expenditures	**1,071,000.00**	**1,196,441.34**
Less: Chargeable to Other Departments	(83,000.00)	—
Total Net Expenditures - Policy and Business Development .... $	**988,000.00 $**	**1,196,441.34**
Total Net Expenditures - Business and Consumer Services ....$	**38,063,000.00 $**	**38,564,552.13**

	Estimate	Actual
DEPARTMENT OF COMMUNITY SERVICES		
Senior Management		
Salaries and Benefits $	957,000.00 $	742,681.28
Operating Costs	292,000.00	234,668.48
Total Net Expenditures - Senior Management $	**1,249,000.00 $**	**977,349.76**
Commissions and Agencies		
Salaries and Benefits $	446,000.00 $	400,082.36
Operating Costs	393,000.00	260,147.47
Grants and Contributions	438,000.00	77,062.18
Gross Expenditures	**1,277,000.00**	**737,292.01**
Less: Chargeable to Other Departments	(109,000.00)	(126,820.00)
Total Net Expenditures - Commissions and Agencies $	**1,168,000.00 $**	**610,472.01**
Corporate Services Unit		
Salaries and Benefits $	2,247,000.00 $	2,327,004.06
Operating Costs	5,560,000.00	6,351,876.09
Gross Expenditures	**7,807,000.00**	**8,678,880.15**
Less: Chargeable to Other Departments	—	(1,086,729.20)
Total Net Expenditures - Corporate Services Unit $	**7,807,000.00 $**	**7,592,150.95**
Strategic Planning		
Salaries and Benefits $	1,121,000.00 $	982,456.02
Operating Costs	723,000.00	392,399.35
Grants and Contributions	—	(50.00)
Gross Expenditures	**1,844,000.00**	**1,374,805.37**
Less: Chargeable to Other Depts	—	(9,660.00)
Less: Recoveries	—	(24,051.80)
Total Net Expenditures - Strategic Planning $	**1,844,000.00 $**	**1,341,093.57**

	Estimate	Actual
Field Offices		
Salaries and Benefits	$ 3,677,000.00	$ 3,919,156.12
Operating Costs	3,018,000.00	3,026,291.45
Grants and Contributions	—	6,093.08
Gross Expenditures	**6,695,000.00**	**6,951,540.65**
Less: Recoveries	(76,000.00)	(75,799.00)
Total Net Expenditures - Field Offices	**$ 6,619,000.00**	**$ 6,875,741.65**
Family and Children's Services		
Salaries and Benefits	$ 9,187,000.00	$ 7,996,461.23
Operating Costs	1,884,000.00	1,543,306.56
Grants and Contributions	77,848,000.00	87,085,729.59
Gross Expenditures	**88,919,000.00**	**96,625,497.38**
Less: Chargeable to Other Depts	(180,000.00)	(204,711.40)
Less: Fees and Other Charges	(32,000.00)	(38,873.33)
Less: Recoveries	—	(23,854.68)
Total Net Expenditures - Family and Children's Services	**$ 88,707,000.00**	**$ 96,358,057.97**
Income Assistance and Employment Support Services		
Salaries and Benefits	$ 19,152,000.00	$ 19,788,135.04
Operating Costs	2,661,000.00	2,201,441.25
Grants and Contributions	452,849,000.00	509,268,575.10
Gross Expenditures	**474,662,000.00**	**531,258,151.39**
Less: Chargeable to Other Depts	(10,696,000.00)	(62,388,451.47)
Less: Fees and Other Charges	—	(13.92)
Less: Recoveries	(23,115,000.00)	(25,799,164.50)
Total Net Expenditures - Income Assistance and Employment Support Services	**$ 440,851,000.00**	**$ 443,070,521.50**
Total Net Expenditures - Community Services	**$ 548,245,000.00**	**$ 556,825,387.41**

		Estimate		Actual
DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM				
Senior Management and Support Services				
Salaries and Benefits	$	1,276,000.00	$	1,450,655.25
Operating Costs		1,740,000.00		1,942,132.66
Grants and Contributions		150,000.00		46,000.00
Total Net Expenditures - Senior Management and Support Services	**$**	**3,166,000.00**	**$**	**3,438,787.91**
Special Assistance Program				
Grants and Contributions	$	7,165,000.00	$	12,966,856.85
Gross Expenditures		**7,165,000.00**		**12,966,856.85**
Less: Chargeable to Canada-Nova Scotia (Offshore) Development Fund		(5,165,000.00)		(1,310,700.81)
Total Net Expenditures - Special Assistance Program	**$**	**2,000,000.00**	**$**	**11,656,156.04**
Trade Centre Limited				
Grants and Contributions	$	790,000.00	$	—
Total Net Expenditures - Trade Centre Limited	**$**	**790,000.00**	**$**	—
Voluntary Planning				
Salaries and Benefits	$	368,000.00	$	389,956.79
Operating Costs		202,000.00		155,699.81
Total Net Expenditures - Voluntary Planning	**$**	**570,000.00**	**$**	**545,656.60**
Provincial Employment Program				
Salaries and Benefits	$	111,000.00	$	886,527.73
Operating Costs		20,000.00		9,414.16
Grants and Contributions		6,086,000.00		7,430,428.17
Total Net Expenditures - Provincial Employment Program	**$**	**6,217,000.00**	**$**	**8,326,370.06**
N. S. Film Industry Development				
Grants and Contributions	$	1,709,000.00	$	3,009,400.00
Total Net Expenditures - N.S. Film Industry Development	**$**	**1,709,000.00**	**$**	**3,009,400.00**

		Estimate		Actual
Nova Scotia Marketing Agency				
Salaries and Benefits	$	1,160,000.00	$	1,050,120.15
Operating Costs		6,740,000.00		8,881,580.80
Grants and Contributions		75,000.00		76,357.00
Gross Expenditures		**7,975,000.00**		**10,008,057.95**
Less: Fees and Other Charges		—		(584,721.36)
Total Net Expenditures - Nova Scotia Marketing Agency	$	**7,975,000.00**	$	**9,423,336.59**
Tourism Nova Scotia				
Salaries and Benefits	$	2,055,000.00	$	2,279,197.78
Operating Costs		3,145,000.00		3,746,156.02
Grants and Contributions		2,436,000.00		1,884,481.24
Gross Expenditures		**7,636,000.00**		**7,909,835.04**
Less: Fees and Other Charges		(212,000.00)		(319,195.86)
Less: Recoveries		(16,000.00)		(14,233.69)
Total Net Expenditures - Tourism Nova Scotia	$	**7,408,000.00**	$	**7,576,405.49**
Community Economic Development				
Salaries and Benefits	$	1,873,000.00	$	1,702,935.05
Operating Costs		520,000.00		511,114.40
Grants and Contributions		3,066,000.00		3,211,784.58
Total Net Expenditures - Community Economic Development	$	**5,459,000.00**	$	**5,425,834.03**
Investment and Trade				
Salaries and Benefits	$	2,101,000.00	$	1,935,172.69
Operating Costs		2,508,000.00		2,358,682.21
Grants and Contributions		500,000.00		457,602.22
Gross Expenditures		**5,109,000.00**		**4,751,457.12**
Less: Fees and Other Charges		—		(21,621.00)
Total Net Expenditures - Investment and Trade	$	**5,109,000.00**	$	**4,729,836.12**

	Estimate	Actual
Lending and Financing Services		
Salaries and Benefits	$ 1,316,000.00	$ 1,269,166.97
Operating Costs	1,048,000.00	907,833.30
Grants and Contributions	—	3,236,297.24
Gross Expenditures	**2,364,000.00**	**5,413,297.51**
Less: Fees and Other Charges	—	(1,074,552.05)
Less: Recoveries	—	(2,202,767.00)
Total Net Expenditures - Lending and Financing Services	**$ 2,364,000.00**	**$ 2,135,978.46**
Strategic Services		
Salaries and Benefits	$ 473,000.00	$ 328,020.34
Operating Costs	136,000.00	78,726.98
Total Net Expenditures - Strategic Services	**$ 609,000.00**	**$ 406,747.32**
Nova Scotia Innovation Corporation		
Grants and Contributions	$ 3,693,000.00	$ 3,993,000.00
Total Net Expenditures - Nova Scotia Innovation Corporation	**$ 3,693,000.00**	**$ 3,993,000.00**
Waterfront Development Corporation		
Grants and Contributions	$ 336,000.00	$ 336,000.00
Total Net Expenditures - Waterfront Development Corporation	**$ 336,000.00**	**$ 336,000.00**
Harbour Ports Development		
Grants and Contributions	$ 300,000.00	$ 300,000.00
Total Net Expenditures - Harbour Ports Development	**$ 300,000.00**	**$ 300,000.00**
Public and Private Partnerships		
Salaries and Benefits	$ —	$ 49,394.12
Operating Costs	500,000.00	11,338.46
Gross Expenditures	**500,000.00**	**60,732.58**
Less: Fees and Other Charges	(300,000.00)	—
Total Net Expenditures - Public and Private Partnerships	**$ 200,000.00**	**$ 60,732.58**

	Estimate	Actual
Resort Hotel Operations		
Salaries and Benefits	$ 2,930,000.00	$ 3,746,178.90
Operating Costs	3,905,000.00	4,208,703.13
Gross Expenditures	**6,835,000.00**	**7,954,882.03**
Less: Fees and Other Charges	(7,040,000.00)	(8,114,864.73)
Total Net Expenditures - Resort Hotel Operations	**$ (205,000.00)**	**$ (159,982.70)**
Loans Valuation Allowance		
Operating Costs	$ 1,000,000.00	$ 12,740,210.00
Total Net Expenditures - Loans Valuation Allowance	**$ 1,000,000.00**	**$ 12,740,210.00**
Funds for Federal-Provincial Economic Cooperation		
Salaries and Benefits	$ —	$ 322,138.60
Operating Costs	49,220,000.00	35,332,598.24
Grants and Contributions	—	40,000.00
Gross Expenditures	**49,220,000.00**	**35,694,736.84**
Less: Recoveries	(25,058,000.00)	(22,708,278.15)
Total Net Expenditures - Funds for Federal-Provincial Economic Cooperation	**$ 24,162,000.00**	**$ 12,986,458.69**
Total Net Expenditures - Economic Development and Tourism	**$ 72,862,000.00**	**$ 86,930,927.19**

DEPARTMENT OF EDUCATION AND CULTURE

Administration

	Estimate	Actual
Salaries and Benefits	$ 844,000.00	$ 849,568.20
Operating Costs	369,000.00	375,208.94
Gross Expenditures	**1,213,000.00**	**1,224,777.14**
Less: Recoveries	—	(5,372.26)
Total Net Expenditures - Administration	**$ 1,213,000.00**	**$ 1,219,404.88**

Nova Scotia Council on Higher Education

	Estimate	Actual
Salaries and Benefits	$ 586,000.00	$ 308,486.90
Operating Costs	376,000.00	577,239.77
Gross Expenditures	**962,000.00**	**885,726.67**
Less: Recoveries	—	(374.82)
Total Net Expenditures - Nova Scotia Council on Higher Education	**$ 962,000.00**	**$ 885,351.85**

Educational and Cultural Industry Marketing

	Estimate	Actual
Salaries and Benefits	$ 90,000.00	$ 92,927.53
Operating Costs	10,000.00	19,765.52
Total Net Expenditures - Educational and Cultural Industry Marketing	**$ 100,000.00**	**$ 112,693.05**

Policy

	Estimate	Actual
Salaries and Benefits	$ 4,731,000.00	$ 4,391,404.68
Operating Costs	3,061,000.00	3,311,159.94
Grants and Contributions	100,000.00	354,144.00
Gross Expenditures	**7,892,000.00**	**8,056,708.62**
Less: Fees and Other Charges	(322,000.00)	(235,530.84)
Less: Recoveries	(100,000.00)	(392,143.47)
Total Net Expenditures - Policy	**$ 7,470,000.00**	**$ 7,429,034.31**

	Estimate	Actual
Programs		
Salaries and Benefits . . . .$	6,982,000.00 $	7,005,444.09
Operating Costs	5,914,000.00	6,442,466.47
Grants and Contributions	7,021,000.00	9,059,017.64
Gross Expenditures	**19,917,000.00**	**22,506,928.20**
Less: Chargeable to Other Departments	(1,302,000.00)	(1,888,135.05)
Less: Fees and Other Charges	(1,005,000.00)	(760,513.03)
Less: Recoveries	(4,847,000.00)	(7,034,958.29)
Total Net Expenditures - Programs . . . . $	**12,763,000.00 $**	**12,823,321.83**
ACADIAN AND FRENCH LANGUAGE SERVICES		
Salaries and Benefits . . . . $	391,000.00 $	533,099.85
Operating Costs	2,226,000.00	1,493,796.68
Grants and Contributions	367,000.00	4,200.00
Gross Expenditures	**2,984,000.00**	**2,031,096.53**
Less: Recoveries	(2,984,000.00)	(2,032,769.25)
Total Net Expenditures - Acadian and French Language Services . . . . $	**— $**	**(1,672.72)**
NOVA SCOTIA COMMUNITY COLLEGE SYSTEM		
Administration		
Salaries and Benefits . . . .$	208,000.00 $	122,394.13
Operating Costs	34,000.00	142,165.33
Grants and Contributions	—	10,000.00
Total Net Expenditures - Administration . . . .$	**242,000.00 $**	**274,559.46**
Apprenticeship Training		
Salaries and Benefits . . . .$	1,270,000.00 $	1,299,610.95
Operating Costs	2,399,000.00	2,727,567.09
Grants and Contributions	—	282.50
Gross Expenditures	**3,669,000.00**	**4,027,460.54**
Less: Fees and Other Charges	(55,000.00)	(79,211.70)
Less: Recoveries	—	(325,572.00)
Total Net Expenditures - Apprenticeship Training . . . . $	**3,614,000.00 $**	**3,622,676.84**

Nova Scotia Community College

	Estimate	Actual
Grants and Contributions $	51,871,000.00 $	51,906,726.93
Gross Expenditures	**51,871,000.00**	**51,906,726.93**
Less: Recoveries	(4,900,000.00)	(4,900,000.00)
Total Net Expenditures - Nova Scotia Community College $	**46,971,000.00 $**	**47,006,726.93**

College de l'Acadie

Grants and Contributions $	3,252,000.00 $	3,252,000.00
Gross Expenditures	**3,252,000.00**	**3,252,000.00**
Less: Recoveries	(1,626,000.00)	(1,626,000.00)
Total Net Expenditures - College de l'Acadie $	**1,626,000.00 $**	**1,626,000.00**

HERITAGE AND CULTURE

Nova Scotia Museum

Salaries and Benefits $	3,699,000.00 $	3,962,661.60
Operating Costs	1,989,000.00	2,883,761.30
Grants and Contributions	1,000.00	16,250.00
Gross Expenditures	**5,689,000.00**	**6,862,672.90**
Less: Chargeable to Other Departments	(181,000.00)	(546,346.29)
Less: Fees and Other Charges	(629,000.00)	(795,966.75)
Less: Recoveries	(227,000.00)	(426,130.45)
Total Net Expenditures - Nova Scotia Museum $	**4,652,000.00 $**	**5,094,229.41**

Cultural Affairs

Salaries and Benefits $	580,000.00 $	505,018.53
Operating Costs	373,000.00	351,387.91
Grants and Contributions	4,645,000.00	4,666,183.55
Gross Expenditures	**5,598,000.00**	**5,522,589.99**
Less: Fees and Other Charges	(32,000.00)	(41,661.02)
Less: Recoveries	(90,000.00)	(35,574.00)
Total Net Expenditures - Cultural Affairs $	**5,476,000.00 $**	**5,445,354.97**

Art Gallery of Nova Scotia

	Estimate	Actual
Salaries and Benefits . . . . $	— $	524,787.97
Operating Costs	—	171.75
Grants and Contributions	1,204,000.00	656,007.85
Total Net Expenditures - Art Gallery of Nova Scotia . . . . $	**1,204,000.00 $**	**1,180,967.57**

Public Archives of Nova Scotia

	Estimate	Actual
Salaries and Benefits . . . . $	671,000.00 $	1,641,306.74
Operating Costs	210,000.00	284,970.56
Grants and Contributions	1,340,000.00	376,657.74
Gross Expenditures	**2,221,000.00**	**2,302,935.04**
Less: Chargeable to Other Departments	(90,000.00)	(140,158.24)
Total Net Expenditures - Public Archives of Nova Scotia . . . . $	**2,131,000.00 $**	**2,162,776.80**

Finance and Operations

	Estimate	Actual
Salaries and Benefits . . . . $	2,360,000.00 $	2,561,652.38
Operating Costs	8,146,000.00	9,970,401.08
Grants and Contributions	4,100,000.00	7,240,036.78
Gross Expenditures	**14,606,000.00**	**19,772,090.24**
Less: Chargeable to Other Departments	—	(60,655.39)
Less: Fees and Other Charges	(407,000.00)	(430,589.24)
Less: Recoveries	(535,000.00)	(3,624,086.24)
Total Net Expenditures - Finance and Operations . . . . $	**13,664,000.00 $**	**15,656,759.37**

Grants to School Boards

	Estimate	Actual
Operating Costs . . . . $	6,358,000.00 $	7,445,330.41
Grants and Contributions	561,007,000.00	569,839,878.98
Gross Expenditures	**567,365,000.00**	**577,285,209.39**
Less: Chargeable to Other Departments	—	(4,264,769.40)
Total Net Expenditures - Grants to School Boards . . . . $	**567,365,000.00 $**	**573,020,439.99**

	Estimate	Actual
French Language Grants		
Operating Costs $	— $	7.12
Grants and Contributions	3,160,000.00	3,386,607.68
Gross Expenditures	**3,160,000.00**	**3,386,614.80**
Less: Recoveries	(3,160,000.00)	(2,973,215.00)
Total Net Expenditures - French Language Grants $	**— $**	**413,399.80**
Museum Grants		
Operating Costs $	— $	403.85
Grants and Contributions	3,268,000.00	2,924,800.00
Total Net Expenditures - Museum Grants $	**3,268,000.00 $**	**2,925,203.85**
Public Library Grants		
Grants and Contributions $	7,971,000.00 $	8,003,867.00
Total Net Expenditures - Public Library Grants $	**7,971,000.00 $**	**8,003,867.00**
Atlantic Provinces Special Education Authority		
Operating Costs $	— $	20,420.13
Grants and Contributions	9,158,000.00	9,637,999.90
Total Net Expenditures - Atlantic Provinces Special Education Authority $	**9,158,000.00 $**	**9,658,420.03**
Teachers' Pension		
Grants and Contributions $	54,593,000.00 $	46,312,690.82
Gross Expenditures	**54,593,000.00**	**46,312,690.82**
Less: Chargeable to Other Departments	(1,700,000.00)	(1,695,189.33)
Less: Recoveries	(16,000.00)	—
Total Net Expenditures - Teachers' Pensions $	**52,877,000.00 $**	**44,617,501.49**
Total Net Expenditures - Education and Culture $	**742,727,000.00 $**	**743,177,016.71**

EDUCATION AND CULTURE - ASSISTANCE TO UNIVERSITIES

Grants to Universities

	Estimate	Actual
Operating Costs . . . . $	500,000.00 $	2,062,244.04
Grants and Contributions	186,972,400.00	186,707,036.96
Gross Expenditures	**187,472,400.00**	**188,769,281.00**
Less: Fees and Other Charges	(1,811,400.00)	(2,031,381.00)
Less: Recoveries	(7,500,000.00)	(8,576,900.00)
Total Net Expenditures - Grants to Universities . . . . $	**178,161,000.00 $**	**178,161,000.00**

DEPARTMENT OF THE ENVIRONMENT

	Estimate	Actual
Administration		
Salaries and Benefits	$ 411,300.00	$ 423,321.20
Operating Costs	391,700.00	407,259.73
Grants and Contributions	20,000.00	176,367.00
Gross Expenditures	**823,000.00**	**1,006,947.93**
Less: Fees and Other Charges	(6,000.00)	(664.60)
Less: Recoveries	(1,000.00)	—
Total Net Expenditures - Administration	**$ 816,000.00**	**$ 1,006,283.33**
Environmental Assessment Board		
Salaries and Benefits	$ 108,000.00	$ 92,998.59
Operating Costs	80,000.00	53,952.07
Total Net Expenditures - Environmental Assessment Board	**$ 188,000.00**	**$ 146,950.66**
Policy, Planning and Coordination		
Salaries and Benefits	$ 275,000.00	$ 275,896.28
Operating Costs	93,000.00	88,718.33
Total Net Expenditures - Policy, Planning and Coordination	**$ 368,000.00**	**$ 364,614.61**
Utilities		
Salaries and Benefits	$ 594,000.00	$ 473,429.72
Operating Costs	1,004,000.00	1,058,724.59
Gross Expenditures	**1,598,000.00**	**1,532,154.31**
Less: Fees and Other Charges	(870,000.00)	(830,546.00)
Total Net Expenditures - Utilities	**$ 728,000.00**	**$ 701,608.31**
Resource Management and Environmental Protection		
Salaries and Benefits	$ 1,194,100.00	$ 1,245,422.51
Operating Costs	392,900.00	374,096.64
Grants and Contributions	7,000.00	12,704.00
Gross Expenditures	**1,594,000.00**	**1,632,223.15**
Less: Chargeable to Other Departments	(14,000.00)	(13,400.00)
Total Net Expenditures - Resource Management and Environmental Protection	**$ 1,580,000.00**	**$ 1,618,823.15**

	Estimate	Actual
Environmental Support Services		
Salaries and Benefits $	1,042,100.00 $	955,736.54
Operating Costs	1,499,900.00	1,418,986.30
Grants and Contributions	132,000.00	139,057.00
Gross Expenditures	**2,674,000.00**	**2,513,779.84**
Less: Chargeable to Other Departments	(117,000.00)	(129,337.94)
Less: Recoveries	(70,000.00)	(157,137.09)
Total Net Expenditures - Environmental Support Services $	**2,487,000.00** $	**2,227,304.81**
Regional Offices		
Salaries and Benefits $	7,004,000.00 $	6,218,083.42
Operating Costs	3,314,000.00	2,839,954.54
Gross Expenditures	**10,318,000.00**	**9,058,037.96**
Less: Fees and Other Charges	(439,000.00)	—
Total Net Expenditures - Regional Offices $	**9,879,000.00** $	**9,058,037.96**
Environmental Industries and Technologies		
Salaries and Benefits $	418,900.00 $	505,257.56
Operating Costs	393,100.00	282,228.64
Grants and Contributions	—	200.00
Gross Expenditures	**812,000.00**	**787,686.20**
Less: Recoveries	—	(4,318.30)
Total Net Expenditures - Environmental Industries and Technologies $	**812,000.00** $	**783,367.90**
Emergency Measures Organization		
Salaries and Benefits $	253,900.00 $	300,310.72
Operating Costs	1,011,100.00	867,080.41
Grants and Contributions	27,000.00	33,250.00
Gross Expenditures	**1,292,000.00**	**1,200,641.13**
Less: Recoveries	(97,000.00)	(88,561.09)
Total Net Expenditures - Emergency Measures Organization $	**1,195,000.00**	**1,112,080.04**
Total Net Expenditures - Environment $	**18,053,000.00** $	**17,019,070.77**

DEPARTMENT OF FINANCE

Senior Management

	Estimate	Actual
Salaries and Benefits	$ 391,000.00	$ 442,597.91
Operating Costs	229,000.00	201,410.52
Total Net Expenditures - Senior Management	**$ 620,000.00**	**$ 644,008.43**

Corporate Services Unit

	Estimate	Actual
Salaries and Benefits	$ 2,182,000.00	$ 2,127,659.65
Operating Costs	954,000.00	1,259,484.55
Gross Expenditures	**3,136,000.00**	**3,387,144.20**
Less: Chargeable to Other Departments	—	(100,395.00)
Total Net Expenditures - Corporate Services Unit	**$ 3,136,000.00**	**$ 3,286,749.20**

Controller

	Estimate	Actual
Salaries and Benefits	$ 2,135,000.00	$ 2,100,253.99
Operating Costs	520,000.00	883,187.63
Grants and Contributions	46,000.00	46,058.56
Gross Expenditures	**2,701,000.00**	**3,029,500.18**
Less: Chargeable to Other Departments	(87,300.00)	(8,509.08)
Less: Recoveries	(626,700.00)	(1,467,264.27)
Total Net Expenditures -Controller	**$ 1,987,000.00**	**$ 1,553,726.83**

Fiscal and Economic Policy

	Estimate	Actual
Salaries and Benefits	$ 1,296,000.00	$ 1,249,887.17
Operating Costs	345,000.00	381,879.48
Gross Expenditures	**1,641,000.00**	**1,631,766.65**
Less: Chargeable to Other Departments	—	(147,061.63)
Less: Fees and Other Charges	—	(870.00)
Less: Recoveries	(160,000.00)	—
Total Net Expenditures - Fiscal and Economic Policy	**$ 1,481,000.00**	**$ 1,483,835.02**

	Estimate	Actual
Investment, Pensions and Treasury Services		
Salaries and Benefits	$ 2,006,000.00	$ 1,952,835.35
Operating Costs	9,531,000.00	9,093,561.88
Gross Expenditures	**11,537,000.00**	**11,046,397.23**
Less: Chargeable to Other Departments and Pension Funds	(10,387,000.00)	(9,898,383.24)
Less: Fees and Other Charges	(240,000.00)	(252,562.00)
Total Net Expenditures - Investments, Pensions and Treasury Services	**$ 910,000.00**	**$ 895,451.99**
Procurement		
Salaries and Benefits	$ 1,593,000.00	$ 1,559,668.85
Operating Costs	1,898,000.00	2,516,250.69
Gross Expenditures	**3,491,000.00**	**4,075,919.54**
Less: Chargeable to Other Departments	(1,959,000.00)	(2,509,248.34)
Total Net Expenditures - Procurement	**$ 1,532,000.00**	**$ 1,566,671.20**
Total Net Expenditures - Finance	**$ 9,666,000.00**	**$ 9,430,442.67**

	Estimate	Actual
FINANCE - DEBT SERVICING COSTS		
Debenture Debt		
Canada Pension Plan	$ 143,422,000.00	$ 143,397,854.85
Canadian Debt	203,019,000.00	199,716,768.96
United States Debt	327,407,000.00	362,294,932.34
Other Foreign Currencies Debt		
Sterling	23,181,000.00	—
Swiss Francs	16,800,000.00	15,891,121.54
Yen	72,813,000.00	59,946,670.42
Foreign Exchange on Sinking Fund Instalments	19,133,000.00	4,081,858.38
Total Net Expenditures - Debenture Debt	**$ 805,775,000.00**	**$ 785,329,206.49**
Other Long-Term Debt		
Courthouses	$ 101,000.00	$ 220,112.89
Government of Canada Loans	252,000.00	237,532.34
Hospital Loans	7,003,000.00	7,126,133.87
Joseph Howe Building	2,069,000.00	2,246,180.14
One Government Place	909,000.00	906,841.09
Public School Loans	15,939,000.00	15,816,523.49
Sydney Community Health Centre	11,000.00	10,756.94
Teachers' Pension Fund	22,433,000.00	6,803,030.98
Other Provincial Pension Obligations	19,167,000.00	—
Total Net Expenditures - Other Long-Term Debt	**$ 67,884,000.00**	**$ 33,367,111.74**
General Interest		
Other Related Bond Issue Expenses	$ 12,555,000.00	$ 42,992,345.64
Total Net Expenditures - General Interest	**$ 12,555,000.00**	**$ 42,992,345.64**
Borrowing Program		
Borrowing Program	$ 34,166,000.00	$ —
Total Net Expenditures - Borrowing Program	**$ 34,166,000.00**	**$ —**

	Estimate	Actual
Debt Retirement Fund Earnings		
Debt Retirement Fund Earnings	$ (65,200,000.00)	$ (63,903,338.34)
Total Net Expenditures - Debt Retirement Fund Earnings	**$ (65,200,000.00)**	**$ (63,903,338.34)**
Total Net Expenditures - Debt Servicing Costs	**$ 855,180,000.00**	**$ 797,785,325.53**

DEPARTMENT OF FISHERIES AND AQUACULTURE

	Estimate	Actual
Administration		
Salaries and Benefits	$ 282,000.00	$ 310,650.48
Operating Costs	107,000.00	106,237.95
Total Net Expenditures -Administration	**$ 389,000.00**	**$ 416,888.43**
Marketing		
Salaries and Benefits	$ 303,000.00	$ 240,756.23
Operating Costs	159,000.00	210,132.06
Grants and Contributions	---	500.00
Total Net Expenditures - Marketing	**$ 462,000.00**	**$ 451,388.29**
Technology and Inspection		
Salaries and Benefits	$ 621,000.00	$ 634,010.79
Operating Costs	802,000.00	691,667.88
Gross Expenditures	**1,423,000.00**	**1,325,678.67**
Less: Fees and Other Charges	(286,000.00)	(257,861.40)
Total Net Expenditures - Technology and Inspection	**$ 1,137,000.00**	**$ 1,067,817.27**
Fisheries Loan Board		
Salaries and Benefits	$ 460,000.00	$ 458,132.17
Operating Costs	145,000.00	358,789.07
Gross Expenditures	**605,000.00**	**816,921.24**
Less: Fees and Other Charges	(23,000.00)	(49,332.50)
Total Net Expenditures - Fisheries Loan Board	**$ 582,000.00**	**$ 767,588.74**
Inland Fisheries		
Salaries and Benefits	$ 663,000.00	$ 734,308.16
Operating Costs	367,000.00	323,302.14
Gross Expenditures	**1,030,000.00**	**1,057,610.30**
Less: Fees and Other Charges	(361,000.00)	(339,543.19)
Total Net Expenditure - Inland Fisheries	**$ 669,000.00**	**$ 718,067.11**

	Estimate	Actual
Aquaculture		
Salaries and Benefits . . . .$	632,000.00 $	689,679.90
Operating Costs	308,000.00	192,261.84
Gross Expenditures	**940,000.00**	**881,941.74**
Less: Fees and Other Charges	(10,000.00)	(8,559.00)
Total Net Expenditure - Aquaculture. . . . . $	**930,000.00 $**	**873,382.74**
Policy, Planning and Coastal Resources		
Salaries and Benefits . . . .$	706,000.00 $	751,892.46
Operating Costs	253,000.00	218,956.01
Total Net Expenditures - Policy, Planning and Coastal Resources . . . . $	**959,000.00 $**	**970,848.47**
Training		
Salaries and Benefits . . . .$	678,000.00 $	634,388.20
Operating Costs	459,000.00	486,842.22
Gross Expenditures	**1,137,000.00**	**1,121,230.42**
Less: Chargeable to Other Departments	---	(214.00)
Less: Fees and Other Charges	(16,000.00)	(18,609.50)
Less: Recoveries	(530,000.00)	(442,246.55)
Total Net Expenditures - Training . . . .$	**591,000.00 $**	**660,160.37**
Program for Older Fisheries Workers' Assistance		
Grants and Contributions . . . .$	425,000.00 $	428,976.00
Total Net Expenditures - Program for Older Fisheries Workers' Assistance . . . . $	**425,000.00 $**	**428,976.00**
Total Net Expenditures - Fisheries and Aquaculture. . . . .$	**6,144,000.00 $**	**6,355,117.42**

	Estimate	Actual
DEPARTMENT OF HEALTH		
General Administration		
Salaries and Benefits	$ 955,000.00	$ 988,269.96
Operating Costs	760,000.00	463,720.22
Grants and Contributions	—	2,500.00
Total Net Expenditures - General Administration	**$ 1,715,000.00**	**$ 1,454,490.18**
Administrative Services		
Salaries and Benefits	$ 3,172,000.00	$ 2,915,041.19
Operating Costs	2,576,000.00	2,301,018.80
Grants and Contributions	12,711,000.00	14,027,129.24
Gross Expenditures	**18,459,000.00**	**19,243,189.23**
Less: Recoveries	(9,916,000.00)	(10,134,264.95)
Total Net Expenditures - Administrative Services	**$ 8,543,000.00**	**$ 9,108,924.28**
Operations and Regional Support		
Salaries and Benefits	$ 4,271,000.00	$ 3,645,701.80
Operating Costs	3,149,000.00	6,422,684.93
Grants and Contributions	2,180,000.00	2,311,314.35
Gross Expenditures	**9,600,000.00**	**12,379,701.08**
Less: Recoveries	(1,368,000.00)	(1,422,032.14)
Total Net Expenditures - Operations and Regional Support	**$ 8,232,000.00**	**$ 10,957,668.94**
Strategic Planning and Policy Development		
Salaries and Benefits	$ 1,942,000.00	$ 1,771,275.98
Operating Costs	746,000.00	438,590.58
Grants and Contributions	896,000.00	1,044,755.00
Gross Expenditures	**3,584,000.00**	**3,254,621.56**
Less: Chargeable to Other Departments	(239,000.00)	(236,563.32)
Less: Recoveries	(54,000.00)	(802.01)
Total Net Expenditures - Strategic Planning and Policy Development	**$ 3,291,000.00**	**$ 3,017,256.23**

	Estimate	Actual
Insured Programs Management and Clinical Rationalization		
Salaries and Benefits	$ 2,096,000.00	$ 1,477,986.29
Operating Costs	10,126,000.00	11,931,100.09
Grants and Contributions	3,750,000.00	11,264,292.40
Gross Expenditures	**15,972,000.00**	**24,673,378.78**
Less: Recoveries	—	(242.99)
Total Net Expenditures - Insured Programs Management and Clinical Rationalization	**$ 15,972,000.00**	**$ 24,673,135.79**
Medical Payments		
Grants and Contributions	$ 274,181,000.00	$ 296,744,677.22
Total Net Expenditures - Medical Payments	**$ 274,181,000.00**	**$ 296,744,677.22**
Pharmacare Program		
Grants and Contributions	$ 43,000,000.00	$ 56,876,207.00
Total Net Expenditures - Pharmacare Program	**$ 43,000,000.00**	**$ 56,876,207.00**
Other Insured Services		
Operating Costs	$ —	$ 97.47
Grants and Contributions	13,200,000.00	12,581,157.00
Total Net Expenditures - Other Insured Services	**$ 13,200,000.00**	**$ 12,581,254.47**
Home Care Program		
Salaries and Benefits	$ 12,606,000.00	$ 10,421,296.85
Operating Costs	15,653,000.00	12,322,135.96
Grants and Contributions	41,541,000.00	37,775,477.89
Total Net Expenditures - Home Care Program	**$ 69,800,000.00**	**$ 60,518,910.70**

	Estimate	Actual
Drug Dependency Services Program		
Grants and Contributions . . . . $	14,122,000.00 $	14,121,066.00
Gross Expenditures	**14,122,000.00**	**14,121,066.00**
Less: Recoveries	(5,386,000.00)	(5,297,150.72)
Total Net Expenditures - Drug Dependency Services Program . . . . $	**8,736,000.00 $**	**8,823,915.28**
Public Health Services Program		
Operating Costs . . . . $	4,094,000.00 $	3,523,587.86
Grants and Contributions	16,386,000.00	16,662,984.00
Gross Expenditures	**20,480,000.00**	**20,186,571.86**
Less: Recoveries	(237,000.00)	(334,250.04)
Total Net Expenditures - Public Health Services Program . . . . $	**20,243,000.00 $**	**19,852,321.82**
Hospital Insurance Program		
Grants and Contributions . . . . $	640,798,000.00 $	719,106,325.61
Gross Expenditures	**640,798,000.00**	**719,106,325.61**
Less: Recoveries	(29,000,000.00)	(27,619,320.40)
Total Net Expenditures - Hospital Insurance Program . . . . $	**611,798,000.00 $**	**691,487,005.21**
Mental Health Services Program		
Grants and Contributions . . . . $	60,810,000.00 $	62,175,298.19
Total Net Expenditures - Mental Health Services Program . . . . $	**60,810,000.00 $**	**62,175,298.19**
Long Term Care Program		
Operating Costs . . . . $	— $	2,673.00
Grants and Contributions	109,838,000.00	112,139,629.35
Total Net Expenditures - Long Term Care Program . . . . $	**109,838,000.00 $**	**112,142,302.35**

	Estimate	Actual
Emergency Health Services		
Salaries and Benefits	$ 991,000.00	$ 615,385.98
Operating Costs	11,168,000.00	10,118,978.61
Grants and Contributions	15,200,000.00	29,409,867.75
Gross Expenditures	**27,359,000.00**	**40,144,232.34**
Less: Recoveries	(3,359,000.00)	(1,036,600.00)
Total Net Expenditures - Emergency Health Services	**$ 24,000,000.00**	**$ 39,107,632.34**
Total Net Expenditures - Health	**$ 1,273,359,000.00**	**$ 1,409,521,000.00**

	Estimate	Actual
DEPARTMENT OF HOUSING AND MUNICIPAL AFFAIRS		
Administration		
Salaries and Benefits . . . . $	760,000.00 $	785,250.48
Operating Costs	1,086,000.00	625,661.51
Grants and Contributions	11,000.00	2,000.00
Gross Expenditures	**1,857,000.00**	**1,412,911.99**
Less: Recoveries	(125,000.00)	(125,275.65)
Total Net Expenditures - Administration . . . . $	**1,732,000.00 $**	**1,287,636.34**
Municipal Services		
Salaries and Benefits . . . . $	1,576,000.00 $	1,509,022.31
Operating Costs	469,000.00	394,145.43
Grants and Contributions	39,825,000.00	37,631,969.06
Gross Expenditures	**41,870,000.00**	**39,535,136.80**
Less: Fees and Other Charges	—	(704.00)
Less: Recoveries	(2,834,000.00)	(3,036,642.18)
Total Net Expenditures - Municipal Services . . . . $	**39,036,000.00 $**	**36,497,790.62**
Support Services		
Salaries and Benefits . . . . $	249,000.00 $	251,107.69
Operating Costs	902,000.00	890,747.56
Grants and Contributions	—	15,451.96
Gross Expenditures	**1,151,000.00**	**1,157,307.21**
Less: Fees and Other Charges	—	(20.00)
Less: Recoveries	—	(2,079.00)
Total Net Expenditures - Support Services . . . . $	**1,151,000.00 $**	**1,155,208.21**
Land Information Services		
Salaries and Benefits . . . . $	6,890,000.00 $	6,695,173.85
Operating Costs	3,020,000.00	2,871,585.45
Grants and Contributions	—	(3,417.57)
Gross Expenditures	**9,910,000.00**	**9,563,341.73**
Less: Chargeable to Other Departments	(121,000.00)	234.60
Less: Fees and Other Charges	(840,000.00)	(438,448.95)
Less: Recoveries	—	(158.25)
Total Net Expenditures - Land Information Services . . . . $	**8,949,000.00 $**	**9,124,969.13**

	Estimate	Actual
Assessment Services		
Salaries and Benefits $	7,046,000.00 $	6,778,777.42
Operating Costs	3,617,000.00	3,712,910.40
Grants and Contributions	—	180.79
Total Net Expenditures - Assessment Services $	**10,663,000.00 $**	**10,491,868.61**
Housing Services		
Salaries and Benefits $	3,953,000.00 $	3,781,155.86
Operating Costs	742,000.00	754,985.67
Grants and Contributions	—	(63,594.82)
Gross Expenditures	**4,695,000.00**	**4,472,546.71**
Less: Chargeable to Other Departments	(338,000.00)	(560,481.03)
Less: Fees and Other Charges	(24,000.00)	(32.879.01)
Less: Recoveries	(2,120,000.00)	(2.118,371.54)
Total Net Expenditures - Housing Services $	**2,213,000.00 $**	**1,760,815.13**
Subsidies		
Operating Costs $	— $	3,244,170.94
Grants and Contributions	52,942,000.00	53,454,912.87
Gross Expenditures	**52,942,000.00**	**56,699,083.81**
Less: Chargeable to Other Governments	(39,149,000.00)	(38,313,078.29)
Less: Fees and Other Charges	—	(84.078.37)
Total Net Expenditures - Subsidies $	**13,793,000.00 $**	**18,301,927.15**
Total Net Expenditures - Housing and Municipal Affairs $	**77,537,000.00 $**	**78,620,215.19**

	Estimate	Actual
DEPARTMENT OF HUMAN RESOURCES		
Administration		
Salaries and Benefits $	664,000.00 $	674,296.65
Operating Costs	318,000.00	271,932.14
Grants and Contributions	13,000.00	12,462.00
Gross Expenditures	**995,000.00**	**958,690.79**
Less: Chargeable to Other Departments	(61,000.00)	(82,330.24)
Less: Fees and Other Charges	—	(118.64)
Total Net Expenditures - Administration $	**934,000.00** $	**876,241.91**
Client Services		
Salaries and Benefits $	1,362,000.00 $	1,392,520.77
Operating Costs	307,000.00	296,835.05
Grants and Contributions	62,000.00	(16,304.71)
Gross Expenditures	**1,731,000.00**	**1,673,051.11**
Less: Fees and Other Charges	—	(2,543.30)
Less: Chargeable to Other Departments	(156,000.00)	(94,017.14)
Total Net Expenditures - Client Services $	**1,575,000.00** $	**1,576,490.67**
Corporate Services		
Salaries and Benefits $	1,618,000.00 $	1,543,607.19
Operating Costs	777,000.00	1,070,646.64
Gross Expenditures	**2,395,000.00**	**2,614,253.83**
Less: Chargeable to Other Departments	(860,000.00)	(1,043,337.47)
Less: Fees and Other Charges	(12,000.00)	(20,972.10)
Total Net Expenditures - Corporate Services $	**1,523,000.00** $	**1,549,944.26**
Total Net Expenditures - Human Resources $	**4,032,000.00** $	**4,002,676.84**

	Estimate	Actual
DEPARTMENT OF JUSTICE		
Administration		
Salaries and Benefits	$ 6,725,000.00	$ 6,270,947.32
Operating Costs	3,863,000.00	11,100,994.09
Grants and Contributions	283,000.00	341,752.00
Gross Expenditures	**10,871,000.00**	**17,713,693.41**
Less: Chargeable to Other Departments	(1,926,000.00)	(8,964,378.68)
Less: Fees and Other Charges	(92,000.00)	(118,438.02)
Total Net Expenditures - Administration	**$ 8,853,000.00**	**$ 8,630,876.71**
Corporate Services Unit		
Salaries and Benefits	$ 2,276,000.00	$ 2,159,507.33
Operating Costs	1,634,000.00	1,990,582.61
Total Net Expenditures - Corporate Services Unit	**$ 3,910,000.00**	**$ 4,150,089.94**
Nova Scotia Legal Aid		
Grants and Contributions	$ 10,148,000.00	$ 10,148,000.00
Gross Expenditures	**10,148,000.00**	**10,148,000.00**
Less: Recoveries	(3,035,000.00)	(3,035,000.00)
Total Net Expenditures - Nova Scotia Legal Aid	**$ 7,113,000.00**	**$ 7,113,000.00**
Courts and Registries		
Salaries and Benefits	$ 22,929,000.00	$ 22,991,048.52
Operating Costs	5,784,000.00	5,883,394.98
Grants and Contributions	3,000.00	3,000.00
Gross Expenditures	**28,716,000.00**	**28,877,443.50**
Less: Chargeable to Other Departments	(1,000.00)	—
Less: Fees and Other Charges	(7,231,000.00)	(7,209,233.99)
Less: Recoveries	(1,707,000.00)	(1,259,398.87)
Total Net Expenditures - Courts and Registries	**$ 19,777,000.00**	**$ 20,408,810.64**

	Estimate	Actual
Correctional Services		
Salaries and Benefits $	29,414,000.00 $	29,495,213.85
Operating Costs	7,779,000.00	7,722,336.71
Grants and Contributions	1,127,000.00	1,123,478.52
Gross Expenditures	**38,320,000.00**	**38,341,029.08**
Less: Chargeable to Other Departments	(125,000.00)	(97,000.00)
Less: Recoveries	(19,739,000.00)	(19,745,625.82)
Total Net Expenditures - Correctional Services $	**18,456,000.00 $**	**18,498,403.26**
Public Trustee		
Salaries and Benefits $	542,000.00 $	522,608.20
Operating Costs	46,000.00	32,025.71
Gross Expenditures	**588,000.00**	**554,633.91**
Less: Fees and Other Charges	(328,000.00)	(424,654.38)
Total Net Expenditures - Public Trustee $	**260,000.00 $**	**129,979.53**
Fatality Inquiries Act		
Salaries and Benefits $	226,000.00 $	103,372.95
Operating Costs	685,000.00	762,625.77
Gross Expenditures	**911,000.00**	**865,998.72**
Less: Fees and Other Charges	(5,000.00)	---
Total Net Expenditures - Fatality Inquires Act $	**906,000.00 $**	**865,998.72**
Policing Services		
Salaries and Benefits $	1,090,000.00 $	1,134,306.42
Operating Costs	49,602,000.00	49,151,478.00
Grants and Contributions	251,000.00	403,723.14
Gross Expenditures	**50,943,000.00**	**50,689,507.56**
Less: Chargeable to Other Departments	(809,000.00)	(788,700.00)
Less: Fees and Other Charges	(70,000.00)	(78,400.00)
Less: Recoveries	(34,082,000.00)	(34,362,763.46)
Total Net Expenditures - Policing Services $	**15,982,000.00 $**	**15,459,644.10**
Total Net Expenditures - Justice $	**75,257,000.00 $**	**75,256,802.90**

	Estimate	Actual
DEPARTMENT OF LABOUR		
Administration		
Salaries and Benefits $	880,000.00 $	885,308.87
Operating Costs	334,000.00	498,738.13
Gross Expenditures	**1,214,000.00**	**1,384,047.00**
Less: Chargeable to Other Departments	(10,000.00)	(9,590.81)
Total Net Expenditures - Administration $	**1,204,000.00 $**	**1,374,456.19**
Industrial Relations		
Salaries and Benefits $	1,266,000.00 $	1,169,051.50
Operating Costs	416,000.00	432,541.71
Grants and Contributions	6,000.00	6,000.00
Gross Expenditures	**1,688,000.00**	**1,607,593.21**
Less: Chargeable to Other Departments	(1,000.00)	(50,412.50)
Total Net Expenditures - Industrial Relations $	**1,687,000.00 $**	**1,557,180.71**
Boards and Commissions		
Salaries and Benefits $	487,000.00 $	473,801.96
Operating Costs	542,000.00	401,971.14
Gross Expenditures	**1,029,000.00**	**875,773.10**
Less: Chargeable to Other Departments	---	(1,131.14)
Total Net Expenditures - Boards and Commissions $	**1,029,000.00 $**	**874,641.96**
Office of the Fire Marshall		
Salaries and Benefits $	750,000.00 $	815,792.09
Operating Costs	236,000.00	254,119.60
Grants and Contribution	190,000.00	190,000.00
Gross Expenditures	**1,176,000.00**	**1,259,911.69**
Less: Chargeable to Other Departments	(3,000.00)	(3,849.46)
Total Net Expenditures - Office of the Fire Marshall $	**1,173,000.00 $**	**1,256,062.23**

	Estimate	Actual
Occupational Health and Safety		
Salaries and Benefits	$ 1,987,000.00	$ 1,957,121.62
Operating Costs	819,000.00	1,067,832.57
Grants and Contributions	10,000.00	30,313.60
Gross Expenditures	**2,816,000.00**	**3,055,267.79**
Less: Chargeable to Other Departments	(10,000.00)	(28,029.68)
Less: Recoveries	(1,450,000.00)	(1,450,000.00)
Total Net Expenditures - Occupational Health and Safety	**$ 1,356,000.00**	**$ 1,577,238.11**
Public Safety		
Salaries and Benefits	$ 809,000.00	$ 695,192.03
Operating Costs	233,000.00	267,134.84
Gross Expenditures	**1,042,000.00**	**962,326.87**
Less: Chargeable to Other Departments	---	(42,166.93)
Less: Fees an Other Charges	(275,000.00)	(318,149.13)
Total Net Expenditures - Public Safety	**$ 767,000.00**	**$ 602,010.81**
Program for Older Workers' Adjustment		
Operating Costs	$ ---	$ 54.00
Grants and Contributions	400,000.00	131,096.28
Total Net Expenditures - Program for Older Workers' Adjustment	**$ 400,000.00**	**$ 131,150.28**
Workers' Compensation Board		
Salaries and Benefits	$ 840,000.00	$ 992,873.84
Operating Costs	1,138,000.00	973,967.68
Grants and Contributions	1,244,000.00	14,805,367.05
Total Net Expenditures - Workers' Compensation Board Adjustment	**$ 3,222,000.00**	**$ 16,772,208.57**
Total Net Expenditures - Labour	**$ 10,838,000.00**	**$ 24,144,948.86**

DEPARTMENT OF NATURAL RESOURCES

Senior Management

		Estimate		Actual
Salaries and Benefits	$	497,000.00	$	723,068.40
Operating Costs		469,000.00		466,381.05
Grants and Contributions		---		7,405.49
Total Net Expenditures - Senior Management	**$**	**966,000.00**	**$**	**1,196,854.94**

Corporate Services Unit

		Estimate		Actual
Salaries and Benefits	$	3,710,000.00	$	3,453,682.75
Operating Costs		1,249,000.00		1,515,030.24
Gross Expenditures		**4,959,000.00**		**4,968,712.99**
Less: Chargeable to Other Departments		---		(76,240.00)
Less: Fees and Other Charges		(20,000.00)		(22,658.95)
Total Net Expenditures - Corporate Services Unit	**$**	**4,939,000.00**	**$**	**4,869,814.04**

Renewable Resources

		Estimate		Actual
Salaries and Benefits	$	6,852,000.00	$	7,031,742.66
Operating Costs		3,324,000.00		3,232,364.70
Grants and Contributions		5,000.00		29,387.93
Gross Expenditures		**10,181,000.00**		**10,293,495.29**
Less: Fees and Other Charges		(746,000.00)		(884,160.86)
Total Net Expenditures - Renewable Resources	**$**	**9,435,000.00**	**$**	**9,409,334.43**

Minerals and Energy

		Estimate		Actual
Salaries and Benefits	$	3,278,000.00	$	3,341,003.10
Operating Costs		883,000.00		849,353.43
Grants and Contributions		22,000.00		24,621.00
Gross Expenditures		**4,183,000.00**		**4,214,977.53**
Less: Recoveries		(487,000.00)		(205,688.00)
Total Net Expenditures - Minerals and Energy	**$**	**3,696,000.00**	**$**	**4,009,289.53**

	Estimate	Actual
Regional Services		
Salaries and Benefits	$ 16,088,000.00	$ 16,068,345.17
Operating Costs	10,810,000.00	10,024,467.87
Grants and Contributions	713,000.00	720,000.00
Gross Expenditures	**27,611,000.00**	**26,812,813.04**
Less: Chargeable to Other Departments	(973,000.00)	(40,586.71)
Less: Fees and Other Charges	(694,000.00)	(1,401,777.00)
Total Net Expenditures - Regional Services	**$ 25,944,000.00**	**$ 25,370,449.33**
Petroleum Development Agency		
Salaries and Benefits	$ 565,000.00	$ 540,771.39
Operating Costs	872,000.00	3,740,599.99
Grants and Contributions	733,000.00	714,456.93
Gross Expenditures	**2,170,000.00**	**4,995,828.31**
Less: Chargeable to Canada-Nova Scotia (Offshore) Development Fund	---	(51,406.35)
Total Net Expenditures - Petroleum Development Agency	**$ 2,170,000.00**	**$ 4,944,421.96**
Planning Secretariat		
Salaries and Benefits	$ 1,351,000.00	$ 1,315,151.67
Operating Costs	714,000.00	1,030,167.72
Grants and Contributions	118,000.00	71,212.00
Gross Expenditures	**2,183,000.00**	**2,416,531.39**
Less: Fees and Other Charges	(3,000.00)	(3,093.79)
Total Net Expenditures - Planning Secretariat	**$ 2,180,000.00**	**$ 2,413,437.60**
Land Services		
Salaries and Benefits	$ 1,778,000.00	$ 1,648,636.35
Operating Costs	606,000.00	476,701.12
Gross Expenditures	**2,384,000.00**	**2,125,337.47**
Less: Chargeable to Other Departments	(15,000.00)	(16,668.91)
Total Net Expenditures - Land Services	**$ 2,369,000.00**	**$ 2,108,668.56**

Resource Enhancement Fund

	Estimate	Actual
Salaries and Benefits . . . . $	--- $	708,061.19
Operating Costs	1,000,000.00	4,491,981.21
Grants and Contributions	4,400,000.00	800.00
Total Net Expenditures - Resource Enhancement Fund . . . . $	**5,400,000.00 $**	**5,200,842.40**
Total Net Expenditures - Natural Resources . . . . $	**57,099,000.00 $**	**59,523,112.79**

	Estimate	Actual
PUBLIC SERVICE		
COMMUNICATIONS NOVA SCOTIA		
Salaries and Benefits $	2,389,000.00 $	2,395,299.19
Operating Costs	12,183,000.00	11,295,119.43
Gross Expenditures	**14,572,000.00**	**13,690,418.62**
Less: Chargable to Other Departments	(12,599,000.00)	(12,127,497.02)
Total Net Expenditures - Communications Nova Scotia $	**1,973,000.00 $**	**1,562,921.60**
EXECUTIVE COUNCIL		
Aboriginal Affairs		
Salaries and Benefits $	68,000.00 $	67,130.91
Operating Costs	45,000.00	50,497.63
Grants and Contributions	655,000.00	385,903.89
Total Net Expenditures - Aboriginal Affairs $	**768,000.00 $**	**503,532.43**
Acadian Affairs		
Salaries and Benefits $	69,000.00 $	70,458.95
Operating Costs	36,000.00	79,099.77
Gross Expenditures	**105,000.00**	**149,558.72**
Less: Recoveries	---	(44,802.00)
Total Net Expenditures - Acadian Affairs $	**105,000.00 $**	**104,756.72**
Council of Maritime Premiers		
Operating Costs $	--- $	700.00
Grants and Contributions	1,435,000.00	1,409,661.25
Total Net Expenditures - Council of Maritime Premiers $	**1,435,000.00 $**	**1,410,361.25**
Executive Council Office		
Salaries and Benefits $	284,000.00 $	379,084.09
Operating Costs	64,000.00	61,611.84
Total Net Expenditures - Executive Council Office $	**348,000.00 $**	**440,695.93**

	Estimate	Actual
Intergovernmental Affairs		
Salaries and Benefits .... $	264,000.00 $	231,498.92
Operating Costs	94,000.00	125,540.58
Grants and Contributions	55,000.00	49,395.00
Total Net Expenditures - Intergovernmental Affairs .... $	**413,000.00 $**	**406,434.50**
Office of the Premier		
Salaries and Benefits .... $	549,000.00 $	548,605.69
Operating Costs	138,000.00	139,458.99
Total Net Expenditures - Office of the Premier .... $	**687,000.00 $**	**688,064.68**
Priorities and Planning Secretariat		
Salaries and Benefits .... $	1,218,000.00 $	982,531.13
Operating Costs	246,000.00	310,947.14
Gross Expenditures	**1,464,000.00**	**1,293,478.27**
Less: Chargeable to Other Departments	(69,000.00)	(33,370.78)
Total Net Expenditures - Priorities and Planning Secretariat .... $	**1,395,000.00 $**	**1,260,107.49**
Protocol Office		
Salaries and Benefits .... $	173,000.00 $	174,974.07
Operating Costs	166,000.00	196,611.96
Gross Expenditures	**339,000.00**	**371,586.03**
Less: Chargeable to Other Departments	(25,000.00)	(96,434.33)
Less: Fees and Other Charges	—	(24.00)
Total Net Expenditures - Protocol Office .... $	**314,000.00**	**275,127.70**
Total Net Expenditures - Executive Council .... $	**5,465,000.00 $**	**5,089,080.70**
GOVERNMENT CONTRIBUTIONS TO BENEFIT PLANS		
Salaries and Benefits .... $	4,001,000.00 $	4,163,720.39
Gross Expenditures	**4,001,000.00**	**4,163,720.39**
Less: Chargeable to Other Departments	(651,000.00)	(641,096.59)
Total Net Expenditures - Government Contributions to Benefit Plans .... $	**3,350,000.00 $**	**3,522,623.80**

HUMAN RIGHTS COMMISSION

	Estimate	Actual
Salaries and Benefits	$ 1,010,000.00	$ 926,123.39
Operating Costs	316,000.00	515,708.33
Total Net Expenditures - Human Rights Commission	**$ 1,326,000.00**	**$ 1,441,831.72**

LEGISLATIVE SERVICES

Election Expenses

	Estimate	Actual
Salaries and Benefits	$ 242,000.00	$ 734,856.16
Operating Costs	180,000.00	6,227,934.17
Gross Expenditures	**422,000.00**	**6,962,790.33**
Less: Chargeable to Other Departments	—	(83.00)
Total Net Expenditures - Election Expenses	**$ 422,000.00**	**$ 6,962,707.33**

Government House

	Estimate	Actual
Salaries and Benefits	$ 281,000.00	$ 280,536.15
Operating Costs	69,000.00	62,162.62
Total Net Expenditures - Government House	**$ 350,000.00**	**$ 342,698.77**

Legislative Expenses

	Estimate	Actual
Salaries and Benefits	$ 4,444,000.00	$ 4,450,367.12
Operating Costs	3,568,000.00	3,199,817.77
Grants and Contributions	27,000.00	26,779.09
Gross Expenditures	**8,039,000.00**	**7,676,963.98**
Less: Chargeable to Other Departments	(53,000.00)	(107,666.83)
Less: Fees and Other Charges	(61,000.00)	—
Total Net Expenditures - Legislative Expenses	**$ 7,925,000.00**	**$ 7,569,297.15**

Ministers' Salaries and Expenses

	Estimate	Actual
Salaries and Benefits	$ 740,000.00	$ 761,866.87
Operating Costs	190,000.00	168,852.51
Total Net Expenditures - Ministers' Salaries and Expenses	**$ 930,000.00**	**$ 930,719.38**

	Estimate	Actual
Office of the Legislative Counsel		
Salaries and Benefits	$ 521,000.00	$ 408,934.14
Operating Costs	160,000.00	143,891.70
Total Net Expenditures - Office of the Legislative Counsel	**$ 681,000.00**	**$ 552,825.84**
Office of the Speaker		
Salaries and Benefits	$ 1,304,000.00	$ 1,208,861.30
Operating Costs	305,000.00	361,495.77
Gross Expenditures	**1,609,000.00**	**1,570,357.07**
Less: Chargeable to Other Departments	(10,000.00)	(16,727.04)
Total Net Expenditures - Office of the Speaker	**$ 1,599,000.00**	**1,553,630.03**
Total Net Expenditures - Legislative Services	**$ 11,907,000.00**	**$ 17,911,878.50**
NOVA SCOTIA ADVISORY COUNCIL ON THE STATUS OF WOMEN		
Salaries and Benefits	$ 450,000.00	$ 436,797.94
Operating Costs	230,000.00	173,212.36
Gross Expenditures	**680,000.00**	**610,010.30**
Less: Chargeable to Other Departments	---	(4,148.40)
Less: Fees and Other Charges	(2,000.00)	(1,615.00)
Total Net Expenditures - Nova Scotia Advisory Council on the Status of Women	**$ 678,000.00**	**$ 604,246.90**
NOVA SCOTIA BOXING AUTHORITY		
Salaries and Benefits	$ ---	$ 1,939.45
Operating Costs	63,000.00	38,623.76
Total Net Expenditures - Nova Scotia Boxing Authority	**$ 63,000.00**	**$ 40,563.21**
NOVA SCOTIA GAMING CONTROL COMMISSION		
Salaries and Benefits	$ 3,553,000.00	$ 3,313,220.64
Operating Costs	3,037,000.00	2,960,175.67
Gross Expenditures	**6,590,000.00**	**6,273,396.31**
Less: Fees and Other Charges	---	(680,287.98)
Less: Recoveries	(6,589,000.00)	(5,593,108.33)
Total Net Expenditures - Nova Scotia Gaming Control Commission	**$ 1,000.00**	**$ ---**

NOVA SCOTIA POLICE COMMISSION

	Estimate	Actual
Grants and Contributions	$ 264,000.00	$ 235,629.83
Total Net Expenditures - Nova Scotia Police Commission	**$ 264,000.00**	**$ 235,629.83**

NOVA SCOTIA SECURITIES COMMISSION

	Estimate	Actual
Salaries and Benefits	$ 673,000.00	$ 624,043.99
Operating Costs	226,000.00	240,566.27
Total Net Expenditures - Nova Scotia Securities Commission	**$ 899,000.00**	**$ 864,610.26**

NOVA SCOTIA SPORT AND RECREATION COMMISSION

	Estimate	Actual
Salaries and Benefits	$ 867,000.00	$ 879,943.16
Operating Costs	274,000.00	260,645.03
Grants and Contributions	2,972,000.00	2,975,626.14
Gross Expenditures	**4,113,000.00**	**4,116,214.33**
Less: Chargeable to Other Departments	(17,000.00)	(26,115.86)
Less: Fees and Other Charges	(17,000.00)	(11,099.00)
Less: Recoveries	(100,000.00)	(100,000.00)
Total Net Expenditures - Nova Scotia Sport and Recreation Commission	**$ 3,979,000.00**	**$ 3,978,999.47**

NOVA SCOTIA UTILITY AND REVIEW BOARD

	Estimate	Actual
Grants and Contributions	$ 2,489,000.00	$ 2,489,000.00
Total Net Expenditures - Nova Scotia Utility and Review Board	**$ 2,489,000.00**	**$ 2,489,000.00**

OFFICE OF THE AUDITOR GENERAL

	Estimate	Actual
Salaries and Benefits	$ 1,486,000.00	$ 1,303,673.79
Operating Costs	250,000.00	315,971.27
Gross Expenditures	**1,736,000.00**	**1,619,645.06**
Less: Fees and Other Charges	(113,000.00)	(143,300.00)
Total Net Expenditures - Office of the Auditor General	**$ 1,623,000.00**	**$ 1,476,345.06**

	Estimate	Actual
OFFICE OF THE OMBUDSMAN		
Salaries and Benefits $	266,000.00 $	305,453.34
Operating Costs	43,000.00	63,165.02
Total Net Expenditures - Office of the Ombudsman $	**309,000.00** $	**368,618.36**
PUBLIC INQUIRY, WESTRAY MINE		
Salaries and Benefits $	80,000.00 $	98,574.52
Operating Costs	220,000.00	457,100.12
Total Net Expenditures - Public Inquiry, Westray Mine $	**300,000.00 $**	**555,674.64**
PUBLIC PROSECUTION SERVICE		
Salaries and Benefits $	6,983,000.00 $	7,073,232.80
Operating Costs	1,675,000.00	2,222,189.85
Gross Expenditures	**8,658,000.00**	**9,295,422.65**
Less: Fees and Other Charges	(253,000.00)	(187,975.00)
Less: Recoveries	(25,000.00)	(7,113.29)
Total Net Expenditures - Public Prosecution Service $	**8,380,000.00 $**	**9,100,334.36**
TECHNOLOGY AND SCIENCE SECRETARIAT		
Secretariat		
Salaries and Benefits $	755,000.00 $	640,055.98
Operating Costs	280,000.00	574,015.72
Total Net Expenditures - Secretariat $	**1,035,000.00 $**	**1,214,071.70**
IT Services and Operations		
Salaries and Benefits $	3,735,000.00 $	3,810,947.79
Operating Costs	27,521,000.00	28,933,143.97
Gross Expenditures	**31,256,000.00**	**32,744,091.76**
Less: Chargeable to Other Departments	(29,849,000.00)	(29,304,679.99)
Less: Fees and Other Charges	(200,000.00)	(233,039.99)
Total Net Expenditures - IT Services and Operations $	**1,207,000.00 $**	**3,206,371.78**
Total Net Expenditures - Technology and Science Secretariat $	**2,242,000.00 $**	**4,420,443.48**

	Estimate	Actual
DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS		
Senior Management		
Salaries and Benefits	$ 1,090,000.00	$ 846,534.52
Operating Costs	265,000.00	261,754.04
Grants and Contributions	5,000.00	---
Total Net Expenditures - Senior Management	**$ 1,360,000.00**	**$ 1,108,288.56**
Corporate Services Unit		
Salaries and Benefits	$ 3,997,000.00	$ 3,823,093.52
Operating Costs	2,007,000.00	4,025,919.60
Gross Expenditures	**6,004,000.00**	**7,849,013.12**
Less: Chargeable to Capital Account	(130,000.00)	(1,748,412.66)
Total Net Expenditures - Corporate Services Unit	**$ 5,874,000.00**	**$ 6,100,600.46**
Policy and Planning		
Salaries and Benefits	$ 600,000.00	$ 563,461.45
Operating Costs	183,000.00	65,815.04
Grants and Contributions	247,000.00	306,767.76
Total Net Expenditures - Policy and Planning	**$ 1,030,000.00**	**$ 936,044.25**
DISTRICT SERVICES		
Field Administration		
Salaries and Benefits	$ 16,447,000.00	$ 16,741,641.68
Operating Costs	4,524,000.00	5,112,165.42
Grants and Contributions	---	25.00
Gross Expenditures	**20,971,000.00**	**21,853,832.10**
Less: Fees and Other Charges	---	(87,408.27)
Less: Recoveries	---	(12,496.13)
Total Net Expenditures -Field Administration	**$ 20,971,000.00**	**$ 21,753,927.70**

	Estimate	Actual
Highways and Bridges		
Salaries and Benefits	$ 12,163,000.00	$ 42,324,119.90
Operating Costs	30,708,000.00	12,753,836.71
Grants and Contributions	---	4,482.00
Gross Expenditures	**42,871,000.00**	**55,082,438.61**
Less: Chargeable to Capital Account	---	(645,066.81)
Less: Fees and Other Charges	---	(34,478.38)
Less: Recoveries	(1,298,000.00)	(1,303,611.65)
Total Net Expenditures -Highways and Bridges	**$ 41,573,000.00**	**53,099,281.77**
Snow and Ice Control		
Salaries and Benefits	$ 11,146,000.00	$ 4,667,994.25
Operating Costs	21,381,000.00	31,243,265.44
Gross Expenditures	**32,527,000.00**	**35,911,259.69**
Less: Chargeable to Capital Account	---	(192.33)
Less: Fees and Other Charges	---	(1,046.85)
Less: Recoveries	(2,306,000.00)	(2,306,400.25)
Total Net Expenditures - Snow and Ice Control	**$ 30,221,000.00**	**$ 33,603,620.26**
Building Operations		
Salaries and Benefits	$ 2,925,000.00	$ 1,948,884.18
Operating Costs	8,303,000.00	7,282,910.91
Gross Expenditures	**11,228,000.00**	**9,231,795.09**
Less: Chargeable to Capital Account	(3,108,000.00)	(74,563.63)
Less: Fees and Other Charges	(79,000.00)	(139.05)
Total Net Expenditures - Building Operations	**$ 8,041,000.00**	**$ 9,157,092.41**
Aid To Towns		
Operating Costs	$ —	$ 994.61
Grants and Contributions	333,000.00	276,236.97
Total Net Expenditures -Aid To Towns	**$ 333,000.00**	**$ 277,231.58**

	Estimate	Actual

Employee Benefits

Salaries and Benefits $	7,218,000.00 $	4,365,729.67
Operating Costs	2,284,000.00	2,843,577.52
Total Net Expenditures -Employee Benefits $	**9,502,000.00 $**	**7,209,307.19**

REAL PROPERTY

Accommodations and Facilities Management

Salaries and Benefits $	1,465,000.00 $	1,330,192.91
Operating Costs	27,683,000.00	28,325,180.92
Grants and Contributions	2,400,000.00	1,839,273.00
Gross Expenditures	**31,548,000.00**	**31,494,646.83**
Less: Chargeable to Capital Account	(1,422,000.00)	(1,242,296.12)
Less: Fees and Other Charges	(1,405,000.00)	**(1,657,852.03)**
Total Net Expenditures - Accommodations and Facilities Management $	**28,721,000.00 $**	**28,594,498.68**

Fleet Management

Salaries and Benefits $	543,000.00 $	555,165.50
Operating Costs	(85,000.00)	(78,976.88)
Total Net Expenditures -Fleet Management $	**458,000.00 $**	**476,188.62**

Enterprise Development Services

Salaries and Benefits $	1,379,000.00 $	1,335,816.57
Operating Costs	1,214,000.00	1,199,371.84
Gross Expenditures	**2,593,000.00**	**2,535,188.41**
Less: Chargeable to Capital Account	---	(260,637.72)
Less: Fees and Other Charges	(1,947,000.00)	**(1,650,368.00)**
Less: Recoveries	---	(23,784.00)
Total Net Expenditures - Enterprise Development Services $	**646,000.00 $**	**600,398.69**

	Estimate	Actual
Ferry Enterprises		
Salaries and Benefits	$ 3,029,000.00	$ 3,410,067.80
Operating Costs	2,274,000.00	1,903,470.02
Grants and Contributions	70,000.00	71,043.06
Gross Expenditures	**5,373,000.00**	**5,384,580.88**
Less: Chargeable to Capital Account	---	(1,247.00)
Less: Fees and Other Charges	(1,340,000.00)	**(810,446.11)**
Total Net Expenditures -Ferry Enterprises	**$ 4,033,000.00**	**$ 4,572,887.77**
Specialized Support Services		
Salaries and Benefits	$ 5,138,000.00	4,673,563.22
Operating Costs	955,000.00	1,076,442.92
Gross Expenditures	**6,093,000.00**	**5,750,006.14**
Less: Chargeable to Capital Account	---	(1,260,892.12)
Less: Fees and Other Charges	(979,000.00)	**(2,611.19)**
Less: Recoveries	---	(1,856.50)
Total Net Expenditures -Specialized Support Services	**$ 5,114,000.00**	**4,484,646.33**
Total Net Expenditures - Transportation and Public Works	**$ 157,877,000.00**	**$ 171,974,014.27**

	Estimate	Actual
RESTRUCTURING COSTS		
Restructuring Costs		
Early Retirement Incentive Program, Provision for Contract Negotiations and Severance Packages . . . . $	31,510,000.00 $	54,266,696.24
Total Net Expenditures - Restructuring Costs . . . . $	**31,510,000.00 $**	**54,266,696.24**

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PUBLIC ACCOUNTS

OF THE

PROVINCE OF NOVA SCOTIA

FOR THE

Fiscal Year Ended March 31

1998

VOLUME 2 - AGENCIES AND FUNDS

PRINTED BY ORDER OF THE LEGISLATURE

Nova Scotia

HALIFAX, N.S.
1998

PROVINCE OF NOVA SCOTIA

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AUDITOR'S REPORT

To the Governors and Members of the
Art Gallery of Nova Scotia

We have audited the financial statements of the Art Gallery of Nova Scotia consisting of the following:

Art Gallery of Nova Scotia	- Combined Balance Sheet as at March 31, 1998
Gallery, Gallery Shop and Western Branch	- Balance Sheet as at March 31, 1998
Gallery	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1998
Gallery Shop	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1998
Western Branch	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1998
Endowment Fund	- Balance Sheet as at March 31, 1998 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1998
Acquisition Fund	- Balance Sheet as at March 31, 1998 - Statement of Revenue, Expenditures and Surplus (Deficit) for the year ended March 31, 1998

These financial statements are the responsibility of the Gallery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Art Gallery of Nova Scotia derives revenues from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenues might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year or surplus (deficit).

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

ERNST & YOUNG
Chartered Accountants

Halifax, Canada
May 18, 1998

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Combined Balance Sheet

as at March 31, 1998

	1998	1997
ASSETS		
Current		
Cash and cash equivalents	$ 391,147	$ 285,929
Accounts receivable	115,746	154,438
Inventory	100,726	107,369
Prepaid expenses	968	---
	608,587	547,736
Investments (Market value - $2,455,735; 1997 - $2,189,784)	2,021,178	1,694,969
	$ 2,629,765	$ 2,242,705

LIABILITIES AND SURPLUS

	1998	1997
Current		
Accounts payable and accrued liabilities	$ 137,140	$ 155,728
Deferred revenue	8,000	18,000
	145,140	173,728
Surplus - Gallery	2,432	5,861
Surplus - Gallery Shop	63,931	49,543
Deficit - Western Branch	(48,001)	---
Surplus - Endowment Fund	2,457,252	2,019,280
Surplus (Deficit) - Acquisition Fund	9,011	(5,707)
	2,484,625	2,068,977
	$ 2,629,765	$ 2,242,705

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Gallery, Gallery Shop and Western Branch

Balance Sheet

as at March 31, 1998

	1998	1997
ASSETS		
Current		
Accounts receivable	$ 110,014	$ 124,438
Due from Endowment and Acquisition Funds	9,562	40,623
Inventory	86,524	92,592
Prepaid expenses	968	---
	$ 207,068	$ 257,653

	1998	1997
LIABILITIES AND SURPLUS		
Current		
Bank indebtedness	$ 24,165	$ 32,306
Accounts payable and accrued liabilities	126,112	151,943
Due to Endowment Fund	30,429	---
Deferred revenue	8,000	18,000
	188,706	202,249
Surplus - Gallery	2,432	5,861
Surplus - Gallery Shop	63,931	49,543
Deficit - Western branch	(48,001)	---
	18,362	55,404
	$ 207,068	$ 257,653

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Gallery

Statement of Revenue, Expenditures and Surplus

for the year ended March 31, 1998

	1998	1997
Revenue		
Province of Nova Scotia (Note 2)		
- Operating	$ 1,204,000	$ 1,204,000
Sponsorships	117,348	222,991
Special grants (Note 2)	85,884	111,309
Donations		
- Arts appeal	30,696	39,252
- Other	---	52,012
Contribution from Endowment Fund	35,000	75,000
Contribution from Gallery Shop	20,000	---
Other income	45,935	35,238
Special events	34,752	66,818
Memberships	32,243	27,922
Public Education Programs	31,615	21,717
Corporate campaign	26,576	24,241
Admission	25,785	24,000
Phase II expansion fees	12,000	---
Interest	5,744	11,444
Building fund	---	6,000
	1,707,578	1,921,944
Expenditures (Schedule)		
Salaries and benefits	670,023	659,437
Program development	389,900	516,395
Building operations	492,118	495,087
Technology/capital purchases	---	75,951
Administration	126,835	145,809
Printing and publications	20,681	18,799
Miscellaneous	11,450	9,964
	1,711,007	1,921,442
(Deficiency) excess of revenue over expenditures for the year	(3,429)	502
Surplus, beginning of year	5,861	5,359
Surplus, end of year	$ 2,432	$ 5,861

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Gallery

Schedule of Expenditures

for the year ended March 31, 1998

	1998	1997
Salaries and Benefits		
Salaries and employee benefits	$ 670,023	$ 659,437
Program Development		
Programs	223,606	292,554
Development/Public relations	69,214	75,168
Maud Lewis event	70,908	133,047
Collections management and gallery services	8,074	2,151
Workshop supplies	6,196	7,899
Vehicle	5,777	4,594
Catalogues	4,579	---
Conservation lab	1,546	982
	389,900	516,395
Building Operations		
Utilities	182,012	181,606
Security	129,623	125,959
Climate control	96,988	93,048
Building maintenance and cleaning	40,755	38,407
Insurance	25,891	34,795
Building repairs	11,159	16,960
Elevator maintenance	5,690	4,312
	492,118	495,087
Administration		
Stationery and postage	42,960	46,203
Telephone	29,657	26,368
Travel	22,516	25,070
Yarmouth Branch Gallery	---	17,207
Equipment maintenance	8,135	1,986
Professional fees	7,823	7,260
Equipment rental	3,824	7,900
Memberships	3,770	4,162
Receptions	3,086	4,349
Administration promotional	2,831	3,256
Delivery administration	2,233	2,048
	126,835	145,809

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Gallery

Schedule of Expenditures (Cont'd)

for the year ended March 31, 1998

	1998	1997
Technology/Capital Purchases		
Technology/capital purchases	---	75,951
Printing and Publication		
Printing and publication	19,574	17,128
Photography	1,107	1,671
	20,681	18,799
Miscellaneous		
Miscellaneous	7,636	6,873
Bank charges	3,814	3,091
	11,450	9,964
Total Expenditures	$ 1,711,007	$ 1,921,442

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Gallery Shop

Statement of Revenue, Expenditures and Surplus

for the year ended March 31, 1998

	1998	1997
Revenue		
Art and craft sales	$ 219,042	$ 142,241
Art and craft sales on consignment	47,536	62,916
Books, notes and posters	33,200	19,352
	299,778	224,509
Cost of sales	188,928	102,231
Gross profit	110,850	122,278
Expenditures		
Salaries and employee benefits	55,252	54,588
Office and administration	14,819	8,765
Members' discount	6,391	4,371
	76,462	67,724
Excess of gross profit over expenditures for the year	34,388	54,554
Surplus, beginning of year	49,543	4,989
Contribution to Gallery	(20,000)	---
Contribution to Acquisition Fund (Maud Lewis House)	---	(10,000)
Surplus, end of year	$ 63,931	$ 49,543

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Western Branch

Statement of Revenue, Expenditures and Deficit

for the year ended March 31, 1998

		1998
Revenue		
Donations	$	105,039
Auction Yarmouth		15,090
Interest		243
		120,372
Expenditures		
Capital purchases		150,811
Building Fundraising		17,499
Miscellaneous		63
		168,373
Deficiency of revenue over expenditures for the year		(48,001)
Surplus, beginning of year		---
Deficit, end of year	$	(48,001)

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Endowment Fund

Balance Sheet

as at March 31, 1998

	1998	1997
ASSETS		
Current (Note 3)		
Cash and cash equivalents	$ 411,571	$ 309,175
Accounts receivable	1,326	---
Due from Western Branch	42,429	---
Due from acquisition fund	---	16,200
	455,326	325,375
Investment (market value - $2,455,735; 1997 - $2,189,784)	2,021,178	1,694,969
	$ 2,476,504	$ 2,020,344

	1998	1997
LIABILITIES AND SURPLUS		
Current		
Accounts payable	$ 7,252	$ 1,064
Due to Gallery	12,000	---
	19,252	1,064
Restricted surplus, Phase II expansion	573,802	300,222
Unrestricted surplus	1,883,450	1,719,058
	2,457,252	2,019,280
	$ 2,476,504	$ 2,020,344

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Endowment Fund

Statement of Revenue, Expenditures and Surplus

for the year ended March 31, 1998

	1998	1997
Revenue (Note 3)		
Phase II expansion	$ 646,625	$ 305,000
Investment income	35,809	45,191
Life memberships	23,750	12,000
Marian deWitt Endowment	15,590	---
Gallery endowments	7,923	3,811
Heirloom Discovery Days	2,532	---
	732,229	366,002
Expenditures (Note 3)		
Phase II expansion	72,823	4,778
Salaries	50,000	38,000
Trustee fees (Note 3)	39,695	2,336
Rent	12,000	12,000
Life membership servicing	10,000	11,341
Receptions	4,960	3,459
Gallery Endowment expenses	3,452	1,325
Promotion and public relations	3,667	2,567
Administration	2,462	6,107
Printing and postage	2,198	643
Miscellaneous	1,000	567
	202,257	83,123
Excess of revenue over expenditures for the year	529,972	282,879
Surplus, beginning of year	2,019,280	1,861,401
	2,549,252	2,144,280
Contribution to Gallery	(35,000)	(75,000)
Contribution to Acquisition Fund	(57,000)	(50,000)
Restricted surplus, Phase II expansion	(573,802)	(300,222)
Unrestricted surplus, end of year	$ 1,883,450	$ 1,719,058

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Acquisition Fund

Balance Sheet

as at March 31, 1998

	1998	1997
ASSETS		
Current		
Cash	$ 3,741	$ 9,060
Accounts receivable	4,406	30,000
Due from Gallery Shop	---	10,000
Inventory	14,202	14,777
	$ 22,349	$ 63,837
LIABILITIES AND SURPLUS (DEFICIT)		
Current		
Accounts payable	$ 3,776	$ 2,721
Due to Gallery and Endowment Funds	9,562	66,823
	13,338	69,544
Surplus (deficit)	9,011	(5,707)
	$ 22,349	$ 63,837

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Acquisition Fund

Statement of Revenue, Expenditures and Surplus (Deficit)

for the year ended March 31, 1998

	1998	1997
Revenue		
Donations:		
Other	$ 24,133	$ 22,801
Art Sales and Rental Society	16,000	14,000
Volunteer committee	9,000	8,000
Bequest	---	10,000
Sculpture project grant	57,000	30,000
Contribution from Endowment fund	26,000	50,000
Maud Lewis House	13,884	34,389
Arts Appeal	1,071	2,930
Evan Petley-Jones Fund	1,000	13,005
Interest	618	649
Miscellaneous income	12	---
Contribution from Gallery Shop	---	10,000
John Poad Drake project	---	1,454
NSCAD archive project	---	1,000
	148,718	198,228
Expenditures		
Acquisitions	75,857	111,917
Maud Lewis House	21,566	25,607
Administration	12,998	1,128
Appraisal and professional fees	12,370	8,978
Insurance	5,000	5,000
Promotion	2,471	3,054
Miscellaneous	1,591	410
Shipping	1,537	2,327
Bank charges	566	107
ACQ Exhibitions	44	---
Ceramics Gallery	---	786
John Poad Drake expense	---	336
Sculpture competition	---	70
	134,000	159,720
Excess of revenue over expenditures for the year	14,718	38,508
Deficit, beginning of year	(5,707)	(44,215)
Surplus (deficit), end of year	$ 9,011	$ (5,707)

See accompanying notes

PROVINCE OF NOVA SCOTIA

ART GALLERY OF NOVA SCOTIA

Gallery, Gallery Shop, Endowment Fund, Acquisition Fund

Notes to Financial Statements

for the year ended March 31, 1998

1. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Inventory

Inventory is valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Investments

Investments are recorded at cost. Income is recognized on the settlement date.

Revenue recognition

Revenue from donations is recognized when received. All other revenue, with the exception of investment income, is recognized on the accrual basis of accounting.

Acquisitions

Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to $75,857 (1997 - $111,917).

2. Government Assistance

During the year the Art Gallery of Nova Scotia recognized revenue from provincial government grants from the Nova Scotia Department of Education and Culture in the amount of $1,204,000 (1997 - $1,204,000) and federal government and other grants as follows:

	1998	1997
Halifax Regional Municipality	$ 26,000	$ 25,000
Federal Department of Canadian Heritage	46,718	70,509
The Canada Council	13,166	15,800
	$ 85,884	$ 111,309

3. Endowment Fund

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the fund, or a portion thereof as determined by the Board of Governors, after a balance of $500,000 has been accumulated shall be available for the purpose of:

a) the acquisition of artworks for the permanent collection;
b) the expansion of exhibition and art education programs; and
c) other special projects.

The funds which will be placed in the Endowment Fund will be:

a) donations designated as such by the donor;
b) special types of donations which are stipulated to go to the Fund, such as Life Member's fees; and
c) any funds specifically designated by the Board of Governors.

Expenses relating to the activities of the Endowment Fund will be charged to the Endowment Fund.

The current year Trustee fee include amounts from fiscal 1997 that were not accrued at that year end.

4. Income Tax

The Art Gallery of Nova Scotia is an incorporated agency of the Province of Nova Scotia and accordingly is exempt from income tax.

5. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

PROVINCE OF NOVA SCOTIA

CHECK INNS LIMITED

The following statements for Check Inns Limited are unaudited.

Unaudited

PROVINCE OF NOVA SCOTIA

CHECK INNS LIMITED

Balance Sheet

March 31, 1998

ASSETS

		1998		1997
Current				
Cash	$	1,747	$	1,937
		1,747		1,937
Computer equipment		110,520		221,040
	$	112,267	$	222,977

LIABILITIES

		1998		1997
Current				
Payables and accruals				
Trade	$	1,775	$	3,125
Department of Economic Development and Tourism		89,879		86,754
		91,654		89,879

SHAREHOLDER'S EQUITY

		1998		1997
Capital Stock				
Authorized:				
5,000 common shares with par value of $1 each				
Issued:				
3 common shares		3		3
Retained earnings		20,610		133,095
		20,613		133,098
	$	112,267	$	222,977

Unaudited

PROVINCE OF NOVA SCOTIA

CHECK INNS LIMITED

Statement of Loss and Retained Earnings

year ended March 31, 1998

	1998	1997
Expenses		
Interest	$ ---	$ 11,590
Office and miscellaneous expenses	187	1,171
Professional fees	1,775	2,112
	1,962	14,873
Loss before depreciation	1,962	14,873
Depreciation	110,520	110,520
Net loss	$ 112,482	$ 125,393

Retained earnings, beginning of year	$ 133,095	$ 258,488
Net loss	(112,482)	(125,393)
Retained earnings, end of year	$ 20,613	$ 133,095

AUDITOR'S REPORT

To the Chair and Members of the Nova Scotia
Round Table on Environment and Economy

I have audited the balance sheet of the Environmental Trust Fund as at March 31, 1998 and the statement of revenues and fund equity for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1998, and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
July 28, 1998

PROVINCE OF NOVA SCOTIA

ENVIRONMENTAL TRUST FUND

Balance Sheet

as at March 31, 1998

ASSETS

		1998		1997
Cash	$	250	$	76
Investments (Schedule 1)		5,000		4,988
Interest receivable		14		11
	$	5,264	$	5,075

FUND EQUITY

Fund equity	$	5,264	$	5,075

PROVINCE OF NOVA SCOTIA

ENVIRONMENTAL TRUST FUND

Statement of Revenues and Fund Equity

for the year ended March 31, 1998

		1998		1997
Revenues				
Interest	$	189	$	209
Fund equity, beginning of year		5,075		4,866
Fund equity, end of year	$	5,264	$	5,075

PROVINCE OF NOVA SCOTIA

ENVIRONMENTAL TRUST FUND

Notes to Financial Statements

March 31, 1998

1. Authority

Effective January 1, 1995 the authority for Environmental Trust Fund operations is the Environment Act. The purpose of the Trust is to fund programs for environmental research and management and conservation of the environment.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the treatment of administrative expenses. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of the Environment. These amounts are not reflected in the financial statements.

Schedule 1

PROVINCE OF NOVA SCOTIA

ENVIRONMENTAL TRUST FUND

Schedule of Investments

March 31, 1998

Investment	Interest Rate	Maturity Date		Cost
Bank of Nova Scotia, Term Deposit	4.75%	April 14, 1998	$	5,000

The investments of the Environmental Trust Fund are recorded at cost, which approximates their market value.

AUDITOR'S REPORT

To the Minister of Fisheries and Aquaculture; and
To the Chair and Members of the
Nova Scotia Fisheries and Aquaculture Loan Board

I have audited the balance sheet of the Fisheries and Aquaculture Development Fund as at March 31, 1998 and the statement of continuity of fund for the year then ended. These financial statements are the responsibility of the Loan Board's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fisheries and Aquaculture Development Fund as at March 31, 1998 and the continuity of the fund for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 8, 1998

PROVINCE OF NOVA SCOTIA

FISHERIES AND AQUACULTURE DEVELOPMENT FUND

Balance Sheet

as at March 31, 1998

ASSETS

		1998		1997
Loans Receivable - net of allowance for doubtful accounts (Schedule 1)	$	36,424,553	$	37,844,837
Due from Consolidated Fund				
Loans authorized but unadvanced		1,980,423		2,225,550
Aquaculture loan guarantees (Note 4)		4,107,000		573,000
Free balance		95,422,918		97,332,950
Applicants' funds on deposit		160,880		155,435
		101,671,221		100,286,935
	$	138,095,774	$	138,131,772

LIABILITIES AND FUND BALANCE

		1998		1997
Liabilities				
Applicants' funds on deposit	$	160,880	$	155,435
Fisheries and Aquaculture Development Fund		137,934,894		137,976,337
	$	138,095,774	$	138,131,772

Contingency (Note 5)

PROVINCE OF NOVA SCOTIA

FISHERIES AND AQUACULTURE DEVELOPMENT FUND

Statement of Continuity Fund

for the year ended March 31, 1998

		1998		1997
Balance, beginning of year	$	137,976,337	$	138,022,370
Deduct: Increase in allowance for doubtful accounts		(31,265)		(4,872)
Accounts written off		(10,178)		(41,161)
Balance, end of year	$	137,934,894	$	137,976,337
Comprising:				
Loans receivable	$	36,424,553	$	37,844,837
Loans authorized but unadvanced		1,980,423		2,225,550
Aquaculture loan guarantees		4,107,000		573,000
Free balance		95,422,918		97,332,950
	$	137,934,894	$	137,976,337

PROVINCE OF NOVA SCOTIA

FISHERIES AND AQUACULTURE DEVELOPMENT FUND

Notes to Financial Statements

March 31, 1998

1. Authority

The Fisheries and Aquaculture Development Fund is established pursuant to Section 24 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Fisheries and Aquaculture Loan Board.

The object and purpose of the Board is to make loans and guarantees of loans to fishers, aquaculturists, companies, cooperatives, associations or other persons in order to encourage, sustain, improve and develop the fishing industry in the Province.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

Administrative Expenses, Interest Revenue and Expense

Administrative expenses of the Board, and the differential between capital advance interest charges from the Department of Finance and interest revenues earned on loans are included in the expenditures of the Department of Fisheries and Aquaculture. These amounts are not reflected in these financial statements, nor is accrued loan interest receivable.

3. Deferment Program

On December 21, 1993 government approved an assistance program for borrowers affected by quota cuts and ground fish fishery closure, in cases where economic hardship resulted. Borrowers can apply to have the principal portion of their loan payment deferred until March 31, 1999. As of March 31, 1998 loans receivable under the program total $2,998,436 (1997 - $3,860,510).

On April 15, 1997 government approved an assistance program for borrowers suffering economic hardship as a result of reduced income. The Board may extend, defer or adjust the repayment or terms of any loan or loan guarantee. As of March 31, 1998 loans receivable under the program total $2,133,819.

4. Guarantees

On August 30, 1995 the government's Priorities and Planning Committee approved the Nova Scotia Aquaculture Development Strategy. On April 1, 1996 the aquaculture loan and guarantee program was transferred from the Nova Scotia Economic Renewal Agency to the Board, along with $1,000,000 of existing loan guarantees. The Strategy provides approval for capital advances and guarantees of $2.0 million per year, for five years.

5. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Fisheries and Aquaculture Loan Board, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 Issue affecting the Board, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

Schedule 1

PROVINCE OF NOVA SCOTIA

FISHERIES AND AQUACULTURE DEVELOPMENT FUND

Continuity of Loans Receivable

for the year ended March 31, 1998

		1998	1997
Loans Receivable			
Balance, beginning of year	$	38,773,310 $	44,021,737
Add: Advances during the year		7,684,843	8,717,168
		46,458,153	52,738,905
Deduct: Repayments during the year		9,063,684	13,924,434
Accounts written off		10,178	41,161
		9,073,862	13,965,595
Balance, end of year		37,384,291	38,773,310
Allowance for Doubtful Accounts		959,738	928,473
Loans Receivable - net of allowance for doubtful accounts	$	36,424,553 $	37,844,837

AUDITOR'S REPORT

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 1998, and the statements of loss and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As a result of system deficiencies with the Tolling System, we were unable to obtain sufficient evidence with respect to the completeness of operating revenue and the customer account balances for the four month period ended March 31, 1998. Consequently, we were unable to determine whether any adjustments might be necessary to the operating revenue and customer account balances presented in the financial statements.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to obtain sufficient evidence regarding the completeness of operating revenue and customers account balances as explained in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998, and the results of its operations and and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

GRANT THORNTON
Chartered Accountants

Halifax, Canada
August 14, 1998

PROVINCE OF NOVA SCOTIA

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Project bank account	$ 1,095,535	$ ---
Inventory	12,137	---
Prepaids (Note 3)	214,029	---
Receivables (Note 4)	1,198,583	196,962
Loan receivable (Note 5)	---	3,507,612
Restricted assets (Note 6)	7,929,146	8,102,788
Facility (Note 7)	123,585,732	84,761,733
Deferred costs (Note 8)	1,280,017	900,978
	$ 135,315,179	$ 97,470,073

LIABILITIES

	1998	1997
Payable and accruals	$ 1,168,717	$ 1,096,616
Deferred revenue	260,090	---
Long term debt (Note 10)	80,288,098	67,373,456
Payable to the Province of Nova Scotia (Note 11)	250,000	---
Deferred government assistance (Note 2)	55,022,911	29,000,000
	136,989,816	97,470,072

SHAREHOLDERS' DEFICIENCY

	1998	1997
Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1	1
Reserve for restricted assets (Note 12)	1,908,808	---
Deficit	(3,583,446)	---
	(1,674,637)	$ 1
	$ 135,315,179	$ 97,470,073

Commitments and contractual obligations (Note 15)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statements of Loss and Deficit

Four months ended March 31, 1998

REVENUE

Facility revenue	$	2,705,173
Interest income		166,391
		2,871,564

EXPENSES

Bondholder representative fees	$	13,333
Trustee fees		13,118
Salaries & benefits		51,682
Office		18,786
General & administrative		54,146
Enforcement		20,000
Independent engineer		1,753
Routine maintenance		216,668
Facility operations		430,902
Transponders		225,563
		1,045,951
Earnings before other items		1,825,613
Other items		
Government assistance amortization (Note 2)		277,450
Amortization and depreciation		(660,894)
Interest on line of credit		(389,260)
Interest on long term debt		(2,727,547)
Net loss	$	(1,674,638)
Retained earnings, beginning of period	$	---
Net loss		(1,674,638)
Transfer to reserve for restricted assets (Note 12)		(1,908,808)
Deficit, end of period	$	(3,583,446)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statement of Changes in Financial Position

Year ended March 31, 1998

	1998	1997
Cash derived from (applied to)		
Operating		
Net loss	$ (1,674,638)	$ ---
Government assistance amortization	(277,450)	---
Amortization of deferred financing fees	11,800	---
Amortization and depreciation	660,894	---
	(1,279,394)	---
Change in non-cash operating working Capital (Note 13)	2,612,016	(2,607,958)
	1,332,622	(2,607,958)
Financing		
Issue of common share	---	1
Issue in long term debt	12,914,642	67,373,456
Government assistance	26,300,361	29,000,000
Advance from Province of Nova Scotia	250,000	---
	39,465,003	96,373,457
Investing		
Decrease (increase) in restricted assets	173,642	(8,102,788)
Construction of facility	(39,446,933)	(84,761,733)
Deferred costs - finance fee	---	(760,368)
Deferred costs - start up	(428,799)	(140,610)
	(39,702,090)	(93,765,499)
Net increase in cash	1,095,535	---
Cash		
Beginning of year	---	---
End of year	$ 1,095,535	$ ---

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Notes to the Financial Statements

March 31, 1998

1. **Nature of operations**

The Corporation has been established for the purpose of financing, design, construction, operation and maintenance of the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia.

2. **Summary of significant accounting policies**

Pre-operating and operating periods

The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility

The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Deferred costs - start up

Administrative expenses incurred during the pre-operating period have been deferred as start-up costs and are being amortized to operations, on a pro-rata basis, over a five year period commencing at the start of the operating period.

Deferred costs - financing fee

Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance

Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

3. Prepaids

	1998	1997
Operating expenses	$ 50,421	$ ---
Advance to operator	163,608	---
	$ 214,029	$ ---

4. Receivables

	1998	1997
Final contract adjustments	$ 174,795	$ ---
Provincial contribution (Note 9)	675,637	---
Provincial supplemental payments	215,052	---
Interest	---	196,962
Harmonized Sales Tax	134,099	---
	$ 1,199,583	$ 196,962

5. Loan receivable

Mobilization loan advanced to Atlantic highway Corporation, non-interest bearing and repayable at a rate of 10% of certified progress payments repaid during the year.

6. Restricted assets

	Cash	Investment	1998 Total	1997 Total
Construction account . . . . $	20,338 $	--- $	20,338 $	7,602,498
Senior debt service reserve account	337	5,636,429	5,636,766	500,290
Capital reserve account	319	1,763,989	1,764,308	---
Major maintenance reserve account	622	507,112	507,734	---
Total . . . . $	21,616	7,907,530 $	7,929,146 $	8,102,788

Investments are recorded at costs, have a weighted average term of 8.46 months to maturity and a weighted average interest rate of 4.94%. The market value of the investment approximates the carrying value.

The following restricted accounts have been established in accordance to trust indebenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

(i) The construction trust account includes funds held in trust, in accordance with the Construction Trust Agreement, for the benefit of the Corporation and were eligible for withdrawal based on approved payment directives and certified progress payment requests. The residual funds will be transferred to the project bank account.

(ii) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank account of the Corporation.

(iii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iv) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

7. Facility

	Cost	Accumulated Depreciation	1998 Net book Total	1997 Net book Total
Facility	$ 124,208,666	$ 622,934	$ 123,585,732	$ 84,761,733

8. Deferred costs

	1998	1997
Start up	$ 531,449	$ 140,610
Financing fees	748,568	760,368
	$ 1,280,017	$ 900,978

9. Offset of asset and liability

Pursuant to the Omnibus Agreement with the Province of Nova Scotia, the Corporation has drawn on the Provincial line of credit. The outstanding balance on the line of credit has been repaid on April 15, 1998, with a contribution receivable from the Province of Nova Scotia. The Provincial contribution receivable has been offset by the outstanding balance of the Provincial line of credit in the financial statements. The values of the offset amounts at March 31, 1998 are as follows:

	1998
Provincial contribution receivable	$ 26,000,000
Provincial contribution receivable	(25,324,363)
	$ 675,637

The Provincial line of credit bears interest at a rate of 4.5% per annum.

10. Long-term debt

	1998	1997
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of $2,251,191. Interest from the date of issue will be capitalized as part of the principal and will continue to be capitalized until June 30, 1998. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	$ 62,293,389	$ 56,364,537
Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of $503,395. Interest from the date of issue has been capitalized as part of the principal and will continue to be capitalized until June 30, 1998. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.	12,242,063	11,008,919
Subordinated notes bearing interest at 13.4%, interest only is payable monthly out of excess cash, to the extent it is not paid, it will be compounded semi-annually in arrears, quarterly principal repayments are to begin when surplus cash is available. The notes are expressly subordinated and postponed in right of payment to the senior toll revenue bonds and the junior toll revenue bonds.	5,752,646	—
	$ 80,288,098	$ 67,373,456

Principal repayments will begin in year 2002 and are as follows:

2002	$ 725,000
2003	$ 806,000

11. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advance $250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are increased back to the original rates laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

12. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets should form part of the reserve account. To date, $1,908,808 has been transferred from operations of the Corporation.

13. Change in non-cash operating working capital

	1998	1997
Inventory	$ (12,137)	$ ---
Prepaids	(214,029)	---
Receivables	(1,001,621)	(196,962)
Loan receivable	3,507,612	(3,507,612)
Payables and accruals	72,101	1,096,616
Deferred revenue	260,090	---
	$ 2,612,016	$ (2,607,958)

14. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

15. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

- **Omnibus Agreement**

  Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfil its obligations to the Province.

  Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty-year period, at which time this right will revert back to the Province.

The Province will contribute $55,000,000 payable as follows: the first $29,000,000 available April 1, 1996 was released for payment of progress payments; and, the second $26,000,000 will be available after April 15, 1998 and will be paid to the Corporation only for purposes of repaying the Credit Facility detailed in Note 9 or for paying costs of construction.

- **Operating Agreement**

Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building. Operator compensation is based on the annual operating budget plus as variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

- **Major Maintenance Reserve Fund Agreement**

Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement required the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Trust Account.

- **Annual Roadway Maintenance Agreement**

Five year agreement between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of $650,000 commencing April 1, 1998 and subsequently adjusted thereafter for inflation.

AUDITOR'S REPORT

To the Minister of Housing and Municipal Affairs

I have audited the balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 1998, and the statements of revenues and expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 1998, and the results of its operations and the changes in the fund balance for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 30, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Balance Sheet

as at March 31, 1998

ASSETS

		1998		1997
Current Assets				
Accounts receivable and accrued interest (Note 6)	$	10,781,544	$	209,415
Current portion of mortgages receivable (Note 5)		715,900		646,290
		11,497,444		855,705
Mortgages receivable (Note 5)		23,415,191		26,460,242
Investment in social housing (Note 6)		325,952,334		88,348,736
Fund for future social housing expenditures (Note 6)		4,015,832		---
	$	364,880,801	$	115,664,683

LIABILITIES

		1998		1997
Current liabilities				
Accounts payable	$	---	$	3,500
Housing Development Corporation Fund (Note 4)		12,749,737		7,635,624
Current portion of long-term debt note (Note 7)		9,001,201		6,419,473
Deferred federal contributions (Note 6)		4,015,832		---
		25,766,770		14,058,597
Long-term debt (Note 7)		325,850,315		101,284,997
Reserve for social housing & interest rate risk (Note 6)		13,263,716		321,089
	$	364,880,801	$	115,664,683

Contingency (Note 8)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Statement of Revenues and Expenditures

for the year ended March 31, 1998

	1998	1997
Revenues		
Interest revenue	$ 2,858,864	$ 2,934,093
Recoveries from CMHC (Note 6)	14,807,365	---
Recoveries from provincial government departments	8,221,722	8,563,678
	25,887,951	11,497,771
Expenditures		
Interest on long-term debt	22,105,287	10,244,588
Amortization of investments in social housing	3,374,659	1,134,131
Administration fee (Note 3)	404,505	115,552
Miscellaneous	3,500	3,500
	25,887,951	11,497,771
Excess of revenues over expenditures (Note 3)	$ ---	$ ---

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Statement of Changes in Fund Balance

for the year ended March 31, 1998

	1998	1997
Funds provided by (used for):		
Operations		
Excess of revenues over expenses	$ ---	$ ---
Add: Expenses not requiring cash		
Amortization	3,374,659	1,134,131
Transfer to (from) provision for concessionary assistance & doubtful recoveries	(1,075,000)	2,443,648
Transfer to reserve for social housing	12,942,627	---
Net change in current assets and liabilities	(10,575,629)	24,807
	4,666,657	3,602,586
Investing activities		
Repayment of mortgages receivable	4,050,441	5,678,778
Investment in social housing (Note 6)	(240,978,257)	(2,929)
	(236,927,816)	5,675,849
Financing activities		
Issue of long-term debt-social housing transfer (Note 6)	240,976,488	4,661
Repayment of long-term debt	(13,829,442)	(11,772,614)
	227,147,046	(11,767,953)
Decrease in fund balance during the year	(5,114,113)	(2,489,518)
Fund balance, beginning of year	(7,635,624)	(5,146,106)
Fund balance, end of year	$ (12,749,737)	$ (7,635,624)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 1998

1. Authority

On June 17, 1986 the Nova Scotia Housing Development Corporation Act established the Nova Scotia Housing Development Corporation. The purpose of the Corporation is to provide long-term mortgage financing through outside lenders for social housing programs, and the home ownership programs of the Department of Housing and Municipal Affairs, and loan guarantees for housing purposes.

2. Accounting Policies

Mortgages Receivable

Mortgages receivable are carried at cost less provisions for concessionary assistance and doubtful recoveries as described in Note 5 to the financial statements.

Provision for Concessionary Assistance

Concessionary assistance consists of subsidies provided by the Department of Housing and Municipal Affairs to low income borrowers to assist them in meeting their monthly mortgage payments. The amount of concessionary assistance is calculated as the difference between the net present value of the anticipated future repayments to be received by the Corporation and the amount of the loans advanced. Any adjustments to, or recover of, the net present value of this assistance is reflected in the Provision for Concessionary Assistance in the year in which the related recovery or adjustment occurs. The net change in the Provision for Concessionary Assistance is funded by the Department of Housing and Municipal Affairs legislative vote and is recorded as a direct charge to the Housing Development Corporation Fund.

Provision for Doubtful Recoveries

The Department of Housing and Municipal Affairs maintains 1st and 2nd Mortgage Insurance Funds. The Funds consist of mortgage insurance fees charged to borrowers which are used to finance the write off of bad debts from the mortgage receivable portfolios of the Housing Development Fund and the Housing Development Corporation. A Provision for Doubtful Recoveries is established to the extent that anticipated losses on bad debts exceed the funding available in the 1st and 2nd Mortgage Insurance Funds. The net change in the Provision for Doubtful Recoveries is funded by the Department of Housing and Municipal Affairs legislative vote and is recorded as a direct charge to the Housing Development Corporation Fund.

Investment in Social Housing

Investments in Social Housing are carried at cost which includes the cost of site investigation, land, construction, administration, and interest during construction.

There are some programs which are jointly funded with the Nova Scotia Housing Development Fund. Only the Corporation's 75% share of these programs are reflected in these financial statements.

Amortization of Investments in Social Housing

The capital cost of fixed assets is amortized, using the sinking fund method, by the amount of the principal repaid on the related long-term debt financing the project. Long-term debt is obtained for periods of 20 to 35 years. Amortization for the year ended March 31, 1998 amounted to $3,374,659. (1997 - $1,134,131).

Final Settlements

Recoveries from CMHC and provincial government departments are subject to final settlement reviews. Adjustments to recoveries, accounts receivable, deferred federal contributions and the fund for future social housing expenditures, arising from the final settlement process, are recorded in the year the review is finalized.

3. Administration Fee

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Housing and Municipal Affairs. The Corporation reimburses the Department to the extent that revenues earned by the Corporation exceed expenditures.

4. Housing Development Corporation Fund

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures, and allows the Corporation to borrow up to $20 million.

5. Mortgages Receivable

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately $260,000 including interest. Interest rates vary from 6.75% to 13.00%, with renewal dates ranging from April 1, 1998 to October. 1, 2012. The mortgages are secured by registered first mortgages on the related properties. The Corporation has assigned the mortgages receivable as security for notes payable.

Mortgages receivable		$ 25,756,091	$ 29,806,532
Less:	Current portion due within one year	715,900	646,290
	Provision for concessionary assistance and doubtful recoveries	1,625,000	2,700,000
		2,340,900	3,346,290
		$ 23,415,191	$ 26,460,242

Estimated principal repayments for the next five years are as follows:

1998-1999	$	715,900
1999-2000	$	782,739
2001-2002	$	855,734
2002-2003	$	935,503
2003-2004	$	1,022,674

6. Social Housing Transfer

Effective October 1, 1997, the Corporation entered into an Agreement to transfer program delivery responsibilities for certain social housing programs from Canada Mortgage and Housing Corporation (CMHC) to the Nova Scotia Housing Development Corporation. The Agreement includes the transfer of the assets, liabilities and reserves and involves funding commitments as described below.

Investment in Social Housing and Long Term Debt

Under the Agreement, CMHC transferred its interest in certain social housing investments located in Nova Scotia to the Corporation. The assets were transferred at CMHC's book value at October 1, 1997 of $240,978,257. The acquisition was financed by long-term debt payable to CMHC in the same amount and the investments have been assigned as security for the related debt.

Some assets transferred from CMHC are jointly owned by the Nova Scotia Housing Development Fund (25%). For these assets, only CMHC's 75% ownership interest was transferred to the Corporation.

Contingent Liability

The Social Housing Transfer Agreement required the Corporation to indemnify CMHC against future losses related to their insured loan portfolio in Nova Scotia. See Note 8 for financial details.

Recovery Revenue

The Agreement required CMHC to pay to the Corporation annual contributions to assist with program operating and administration expenses. Funding from CMHC is credited to Deferred Federal Contributions on an accrual basis.

The Corporation reduces Deferred Federal Contributions and records recovery revenue from CMHC equal to interest on long term debt to CMHC and amortization of social housing assets.

The Department of Housing and Municipal Affairs required CMHC funding to pay for subsidy and administration expenses associated with social housing programs. Funding required by the Department is recorded as a direct charge against the Deferred Federal Contributions account.

CMHC funding not used during the fiscal year by the Corporation or the Department is eligible for carry forward to future years. Unused CMHC funding at year end is transferred to an interest bearing account entitled Fund for Future Social Housing Expenditures. These amounts are subject to final settlement review (Note 2).

Reserve for Social Housing and Interest Rate Risk

The Corporation has established reserves for the risks associated with interest rate fluctuation, mortgage default, and fire losses for the assets received as part of the Social Housing Transfer. CMHC provided $8.1 million of the reserve pursuant to the Agreement. The remainder was provided by the Corporation.

7. Long Term Debt

	1998	1997
Notes payable (Note 6)	$ 248,698,886	$ 19,355,734
Mortgages payable	86,152,630	88,348,736
	334,851,516	107,704,470
Less: Current portion due within one year	9,001,201	6,419,473
	$ 325,850,315	$ 101,284,997

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable range from 5 to 37 years. The mortgage amortization periods range from 20 to 35 years with either five or ten year renewal terms. Mortgages and notes payable are secured by an assignment of mortgages receivable and investments in social housing. Monthly installments of interest and principal total $3,443,599. Interest rates vary from 5.3% to 12.254% with renewal dates ranging from April 1, 1998 to February 1, 2009.

Estimated principal repayments for the next five years are as follows:

1998-1999	$ 9,001,201
1999-2000	$ 9,330,696
2000-2001	$ 7,871,172
2001-2002	$ 8,140,369
2002-2003	$ 8,978,672

8. Contingent Liability

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 1998 a total of 30 (1997- 29) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was $23,587,844. (1997 - $24,136,327).

The Corporation has indemnified CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 1998 there were 468 loans with an approximate outstanding balance of $192,539,419.

9. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

10. Comparative Figures

Prior year comparative figures have been reclassified, where necessary, to conform to the financial statement presentation adopted for the current year.

AUDITOR'S REPORT

To the Minister of Housing and Municipal Affairs

I have audited the balance sheet of the Housing Development Fund as at March 31, 1998, and the statement of continuity of net advances for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Housing Development Fund as at March 31, 1998, and the continuity of the net advances for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 30,1998

PROVINCE OF NOVA SCOTIA

HOUSING DEVELOPMENT FUND

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Accounts receivable and advances	$ 25,795	$ 9,321
Mortgages receivable (Note 3 and 4)	20,782,271	26,363,407
Investment in land and housing projects (Note 3 and 5)	114,711,067	107,246,862
	$ 135,519,133	$ 133,619,590

LIABILITIES AND FUND BALANCE

	1998	1997
Liabilities		
Accounts payable	$ 591,980	$ 383,556
Deferred recovery	---	475,000
Notes payable (Note 6)	36,455,272	37,781,526
	37,047,252	38,640,082
Fund Balance		
Advances from Consolidated Fund (Authorized $154,000,000)	103,708,726	100,127,097
Less: Provision for concessionary assistance & doubtful recoveries	(5,236,845)	(5,147,589)
Net advances	98,471,881	94,979,508
	$ 135,519,133	$ 133,619,590

PROVINCE OF NOVA SCOTIA

HOUSING DEVELOPMENT FUND

Statement of Continuity of Net Advances

for the year ended March 31, 1998

		1998	1997
Balance, beginning of the year		$ 94,979,508	$ 95,333,641
Add:	Advances for lending, public housing and land development programs	16,037,336	9,216,408
	Increase in valuation of land development projects due to change in accounting policy	---	5,154,936
		16,037,336	14,371,344
Less:	Recoveries from lending and land development programs	12,455,707	12,717,888
	Increase (decrease) in Provision for Doubtful Recoveries	2,019,256	(292,411)
	Increase (decrease) in Provision for Concessionary Assistance (Note 3)	(1,930,000)	2,300,000
		12,544,963	14,725,477
Balance, end of the year		$ 98,471,881	$ 94,979,508

PROVINCE OF NOVA SCOTIA

HOUSING DEVELOPMENT FUND

Notes to Financial Statements

March 31, 1998

1. Authority

The Provincial share of capital housing programs is financed through the Housing Development Fund as established by Section 20(1) of the Housing Act. These programs include the construction of lease purchase housing units, low interest loans for home construction and rehabilitation, the assembly and servicing of land, and the construction of public housing.

2. Accounting Policies

Mortgages Receivable

Mortgages receivable are carried at cost less provisions for concessionary assistance and doubtful recoveries as described in Note 4 to the financial statements.

Provision for Doubtful Recoveries

The Department of Housing and Municipal Affairs maintains 1st and 2nd Mortgage Insurance Funds. The Funds consist of mortgage insurance fees charged to borrowers which are used to finance the write off of bad debts from the mortgage receivable portfolios of the Housing Development Fund and the Housing Development Corporation. A Provision for Doubtful Recoveries is established to the extent that anticipated losses on bad debts exceeds the funding available in the 1st and 2nd Mortgage Insurance Funds.

Provision for Concessionary Assistance

Concessionary assistance consists of subsidies provided by the Department of Housing and Municipal Affairs to low income borrowers to assist them in meeting their monthly mortgage payments. The amount of concessionary assistance is calculated as the difference between the net present value of the anticipated future repayments to be received by the Fund and the amount of the loans advanced. Any adjustments to, or recovery of, the net present value of this assistance is reflected in the Provision for Concessionary Assistance in the year in which the related recovery or adjustment occurs. The net change in the Provision for Concessionary Assistance is funded by the Department of Housing and Municipal Affairs legislative vote.

Investment in Housing Projects

Housing projects are carried at cost which includes the cost of site investigation, land, construction, administration and interest during construction.

There are some programs which are jointly funded with the Nova Scotia Housing Development Corporation. Only the Fund's 25% share of these programs are reflected in these financial statements.

Amortization of Housing Projects

The capital cost of public housing projects is amortized each year, using the sinking fund over periods of 25 to 50 years. Amortization of housing projects amounted to $654,527 (1997 - $631,636).

Investment in Land Projects

Land projects are carried at cost of acquisition plus servicing costs, capitalized interest charges and administrative costs where applicable. If recovery is doubtful, the net capital cost is reduced to its estimated net realizable value.

Profit or loss on the sale of land is recorded as lots are sold except if revenue or costs cannot be reasonably determined. Costs incurred plus estimated costs to complete are accumulated and allocated to individual units on the basis of relative sales values and written off as lots are sold. Certain common costs, such as main roadways, are allocated to that phase of the project with the applicable spending authority.

Operating Revenues and Expenditures

The Provincial share of operating expenditures related to capital programs is funded by the legislative vote of the Department of Housing and Municipal Affairs. Operating revenues consist primarily of interest revenue on loan programs and profits and losses on land sales and are credited to the revenues of the Province. Operating expenditures include administrative costs of the Fund, the Province's share of operating deficits on public housing projects, the net change in provision for concessionary assistance and doubtful recoveries and grants and assistance associated with capital and other programs. Details of operating revenues and expenditures are reported in the Province's Public Accounts Volume 1.

3. Change in Accounting Policies

Investment in Rural and Native Housing

In prior years, the Rural and Native Housing program was accounted for as a mortgage receivable with appropriate provisions for concessionary assistance for program subsidies. In order to more accurately reflect the substance and operation of the Program and to make accounting practices consistent with Canada Mortgage and Housing Corporation and other provinces, the Program is now being accounted for as a depreciable asset amortized over 25 years.

The financial impact of the change in accounting policy has been to increase the net carrying value of the asset by $2.3 million caused by eliminating the provision for concessionary assistance and to reclassify the book value of the asset of $6.7 million from mortgages receivable to investment in housing projects. This change in accounting policy has not been applied retroactively.

4. Mortgages Receivable

Mortgages receivable have amortization periods of 25 to 35 years and renewal terms ranging from 5 to 35 years. Aggregate monthly payments are approximately $312,000, including interest. Interest rates vary from 5.00% to 14.00% with renewal dates ranging from April 1, 1998 to March 1, 2023. The mortgages are secured by a registered first or second mortgage on the related properties or a promissory note.

		1998	1997
Mortgages Receivable	$	21,102,271 $	28,663,407
Less: Provision for doubtful recoveries		150,000	200,000
Provision for concessionary assistance (Note 3)		170,000	2,100,000
	$	20,782,271 $	26,363,407

Estimated principal repayments for the next five years are as follows:

1998-1999	$	1,969,577
1999-2000	$	1,768,377
2000-2001	$	1,636,010
2001-2002	$	1,524,963
2002-2003	$	1,415,596

5. Investment in Land and Housing Projects

		1998	1997
Investment in Housing Projects	$	97,576,645 $	91,208,326
Investment in Land Projects		20,781,930	18,312,365
Department owned foreclosed properties		1,269,337	573,760
		119,627,912	110,094,451
Less: Allowance for doubtful recoveries		4,916,845	2,847,589
	$	114,711,067 $	107,246,862

6. Notes Payable

Notes payable are owing to Canada Mortgage & Housing Corporation, for a variety of public housing, co-operative housing and residential rehabilitation assistance programs. The amortization periods range from 20 to 50 years, and interest rates range from 6.375% to 10.15%.

		1998	1997
Notes Payable	$	36,455,272 $	37,781,526

Estimated principal repayments for the next five years are as follows:

1998-1999	$	2,086,828
1999-2000	$	2,127,573
2000-2001	$	2,208,540
2001-2002	$	2,321,677
2002-2003	$	2,462,121

7. Subsequent Event

The Government is considering a proposal to discontinue further land development of the Sackville, Second Lake property and to convert the balance of land owned in this area to a park. The likelihood of this event is not determinable at this time. If this proposal is accepted in the absence of compensation for the land, the Housing Development Fund would be exposed to a loss equal to the book value of the property of $5,914,438.

8. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

9. Comparative Figures

Prior year comparative figures have been reclassified, where necessary, to conform to the financial statement presentation adopted for the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Economic Development and Tourism

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 1998, and the statements of continuity of Fund for the year then ended. These financial statements are the responsibility of the Nova Scotia Business Development Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

These financial statements reflect proposed write-offs of assistance outstanding of $16,371,000 which were yet to be approved by Governor in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which I might determine to be necessary should Governor in Council not approve the amounts for write-off, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1998 and the continuity of Fund for the year then ended in accordance with the basis of accounting required by Section 8 of the Industrial Development Act and the accounting policies detailed in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 8, 1998

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997 Restated Note (13)
	(in thousands)	
Financial Assets, at cost		
Loans - Industrial Development Act	$ 77,139	$ 90,539
Loans - Venture Corporations Act (Note 3)	2,188	3,316
Royalty rights (Note 5)	5,186	---
Shares (Note 4)	11,551	11,556
	96,064	105,411
Less: Provision for concessionary Assistance (Note 6)	62,397	52,672
Allowance for Doubtful Accounts	7,432	19,089
	69,829	71,761
	26,235	33,650
Other Assets	846	846
Due from Consolidated Fund		
Guarantees (Note 7)	39,782	35,979
Less: Provision for Payments under Guarantees	2,075	2,071
	37,707	33,908
Assistance Authorized but Unadvanced (Note 8)	51,079	17,084
	88,786	50,992
	$ 115,867	$ 85,488

FUNDING AUTHORIZED AND COMMITTED

	1998	1997 Restated Note (13)
Authorized, Net of Write-offs		
Industrial Development Act	$ 276,827	$ 292,145
Venture Corporations Act	5,685	6,738
Contributed Surplus (Note 9)	1,984	1,984
	284,496	300,867
Less: Provision for Concessionary Assistance and Possible Losses on Assistance (Note 10)	71,904	73,832
Net Fund Balance	212,592	227,035
Less: Uncommitted Balance of Fund	96,725	141,547
	$ 115,867	$ 85,488

Contingency (Note 11)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

Statement of Continuity of Fund

Under the Industrial Development Act

for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Balance, beginning of year	$ 292,145	$ 312,193
Add: Loans and Guarantees authorized	—	255
Deduct: Loans and guarantees rescinded or expired	—	16,783
Accounts written-off	15,318	3,520
	15,318	20,303
Balance, end of year	$ 276,827	$ 292,145
Comprising:		
Loans, shares, royalty rights and other assets	$ 92,808	$ 101,027
Guarantees in effect and utilized	31,282	32,242
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized	59,579	20,821
Uncommitted balance	93,158	138,055
	$ 276,827	$ 292,145

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

Statement of Continuity of Fund

Under the Venture Corporations Act

for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Balance, beginning of year	$ 6,738	$ 6,738
Deduct: Accounts written-off	1,053	---
Balance, end of year	$ 5,685	$ 6,738
Comprising:		
Loans advanced	$ 2,188	$ 3,316
Uncommitted balance	3,497	3,422
	$ 5,685	$ 6,738

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

Statement of Continuity of Fund

Under the Terms of the Canada-Nova Scotia

Development Fund Agreement

for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Balance	$ 1,984	$ 1,984
Comprising:		
Acquired assets	$ 846	$ 845
Loans advanced	1,068	1,069
Uncommitted balance	70	70
	$ 1,984	$ 1,984

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

Notes to Financial Statements

March 31, 1998

1. Authority

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province.

The Business Development Corporation Act provides that the Industrial Expansion Fund may be administered by the Nova Scotia Business Development Corporation. A ministerial letter of assignment was issued authorizing the Corporation to administer the Industrial Expansion Fund as it related to the accounts sent to the Corporation for administration from time to time. The Corporation's activities are administered through a division of the Nova Scotia Department of Economic Development and Tourism (formerly the Nova Scotia Economic Renewal Agency).

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraph (a), (b) and (c) below. Paragraph (d) (e) and (f) describe significant accounting policies of the Fund.

(a) Administrative Expenses and Interest Revenue

Administrative expenses of the Fund, and revenues earned on guarantees are included in the accounts of the Department of Economic Development and Tourism and are not reflected in the financial statements. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and reflected in the financial statements.

(b) Statement of Changes in Financial Position

A statement of changes in financial position is not provided since disclosure in the statements of continuity of the fund and the balance sheet are considered adequate.

(c) Current Assets

Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

(d) Provision for Concessionary Assistance

The Fund provides for the effect of the decrease in the valuation of certain loans and shares due to assistance being provided with concessionary terms.

(e) Allowance for Doubtful Accounts

The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis. In addition, a general reserve is provided on any unreserved assistance outstanding.

(f) Royalty Rights

Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flow. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to its net present value.

3. Venture Corporations Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

During the year one venture corporation repaid a total of $75,000 (1997 - $151,000) against the principal balance of its loan.

	1998	1997
	(in thousands)	
Loans made to venture corporations	$ 2,188	$ 3,316
Less: Allowance for doubtful accounts	1,648	2,789
	$ 540	$ 527

4. Shares

	1998	1997
	(in thousands)	
Preferred shares	$ 9,995	$ 10,000
Common shares	1,556	1,556
	$ 11,551	$ 11,556

5. Royalty Rights

During the year the Fund provided funds to a company and entered a royalties agreement with the company to provide a return on its investment. The royalty payments are based upon net sales of the company.

6. Provision for Concessionary Assistance

Concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

The terms of concessionary assistance provided by the Fund has included low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance.

The assistance outstanding, provision for concessionary assistance and net book value (NBV) related to loans and shares are as follows:

	1998			1997
	Assistance Outstanding	Provision for Concessionary Assistance	NBV	Restated (Note 13) NBV
		(in thousands)		
Loans	$ 69,029	$ 58,958	$ 10,071	$ 26,744
Shares	5,995	3,439	2,556	2,783
	$ 75,024	$ 62,397	$ 12,627	$ 29,527

7. Guarantees

Guarantees have been provided for the following purposes:

	1998	1997
	(in thousands)	
Authorized		
Bank loan guarantees	$ 14,782	$ 10,979
Performance guarantee	25,000	25,000
	$ 39,782	$ 35,979
In Effect and Utilized		
Bank loan guarantees	$ 6,282	$ 7,242
Performance guarantee	25,000	25,000
	31,282	32,242
In Effect but not Utilized	8,500	3,737
	$ 39,782	$ 35,979

During the year guarantees totalling $190,970 were paid out.

8. Assistance Authorized but Unadvanced

	1998	1997
	(in thousands)	
Loans	$ 48,745	$ 14,750
Shares	2,334	2,334
	$ 51,079	$ 17,084

9. Contributed Surplus

Contributed surplus represents the balance of funds provided to the Industrial Expansion Fund for the purpose of providing assistance in accordance with the terms of the Canada-Nova Scotia Development Fund Agreement.

10. Provision for Concessionary Assistance and Possible Losses on Assistance

The following is a continuity of the provision:

	1998	1997 Restated (Note 13) (in thousands)
Balance, beginning of year	$ 73,832	$ 72,380
Add: Current year provision	14,443	4,973
Deduct: Accounts written-off	16,371	3,521
	(1,928)	1,452
Balance, end of year	$ 71,904	$ 73,832

11. Contingency

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. An estimate of the amount of future costs, if any, under these agreements cannot be reasonably determined are not reflected in the financial statements.

12. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 (or beyond) dates, is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Corporation, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal operations. The Corporation and Province of Nova Scotia have initiated certain steps aimed at identifying the scope and alternative resolutions for the issue and it is acknowledged that additional effort will be required to address the issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

13. Restatement of Prior Year's Result

In 1998 an error in the assumption used to calculate the provision for concessionary assistance for an account was identified. As a result, the provision for concessionary assistance in prior years was understated. The error occurred when the Corporation changed its accounting policies to account for concessionary assistance and began reporting a provision for concessionary assistance on the financial statements. A provision was initially reported on the March 31, 1994 financial statement of the Fund. The 1997 provision for concessionary assistance reported was understated by $9,307,498 and has been restated in these financial statements.

AUDITOR'S REPORT

To the Minister of Health, the Minister of Finance; and
To the Chair and Members of Seniors' Pharmacare Board

I have audited the balance sheet of the Insured Prescription Drug Plan Trust Fund as at March 31, 1998, and the statements of revenues, expenses, and fund balance for the year then ended. These financial statements are the responsibility of the management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Insured Prescription Drug Plan Trust Fund as at March 31, 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 17, 1998

PROVINCE OF NOVA SCOTIA

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Cash	$ 1,132,952	$ 2,029,327
Receivables		
Seniors	170,593	254,714
Province of Nova Scotia (Note 3)	3,384,303	122,519
Investments (Note 2)	7,588,019	2,597,400
	$ 12,275,867	$ 5,003,960

LIABILITIES AND FUND BALANCE

	1998	1997
Liabilities		
Payables and accruals	$ 2,776,534	$ 1,580,371
Prepaid premiums	9,465,213	8,585,698
Payable to Low Income Trust Fund (Note 4)	34,120	22,003
	12,275,867	10,188,072
Fund Balance (Deficit) (Note 5)	---	(5,184,112)
	$ 12,275,867	$ 5,003,960

PROVINCE OF NOVA SCOTIA

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Statement of Revenues, Expenses and Fund Balance (Deficit)

for the year ended March 31, 1998

	1998	1997
Revenues		
Seniors		
Premiums paid by seniors	$ 11,861,528	$ 10,876,998
Premiums paid from the Low Income Trust Fund (Note 4)	10,920,727	12,197,795
Co-payments to pharmacies	12,474,096	12,054,370
	35,256,351	35,129,163
Department of Health		
Department's 50% share of expenses	44,451,501	41,609,047
Investment income	1,069,197	1,295,772
	80,777,049	78,033,982
Expenses		
Provider claims	88,903,002	83,218,094
Excess of Expenses over Revenues	(8,125,953)	(5,184,112)
Additional contribution from Province of Nova Scotia (Note 5)	13,310,065	—
Excess of Revenues over Expenses (Expenses over Revenues) and Additional Contribution	5,184,112	(5,184,112)
Fund Balance, beginning of year	(5,184,112)	—
Fund Balance (Deficit), end of year (Note 5)	$ —	$ (5,184,112)

PROVINCE OF NOVA SCOTIA

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Notes to Financial Statements

March 31, 1998

1. Authority

Seniors' Pharmacare is a voluntary prescription drug insurance plan with costs shared between seniors and the Government of Nova Scotia effective April 1, 1995. The Insured Prescription Drug Plan Trust Fund was established pursuant to Order-In-Council 95-557 on July 25, 1995. Contributions made by seniors and government are placed in the Insured Prescription Drug Plan Trust Fund and are used to pay Seniors' Pharmacare program costs.

2. Significant Accounting Policies

Investments

Investments consist of government and corporate bonds, and short-term investments. All investments are carried at cost which approximate market value.

Premium Revenues

Premium revenues are recorded on the accrual basis.

Claim Expenses

Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

Administration of Program

Maritime Medical Care Inc. administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the 1997-98 fiscal year were paid by the Province of Nova Scotia and are not reported in these financial statements.

3. Receivable - Province of Nova Scotia

This receivable consists primarily of unpaid funding from the Province of Nova Scotia at year end as follows:

	1998	1997
Department of Health 50% share of expenses . . . . $	44,451,501 $	41,609,047
Additional contribution from Province of Nova Scotia	13,310,065	---
Miscellaneous other receivables	122,737	101,472
	57,884,303	41,710,519
Less: Payments from Province of Nova Scotia	54,500,000	41,588,000
Receivable - Province of Nova Scotia . . . . $	3,384,303 $	122,519

4. Low Income Trust Fund

The Insured Prescription Drug Plan Low Income Trust Fund was established pursuant to Order-In-Council 95-558 on July 25, 1995. The Province of Nova Scotia's contributions to the Low Income Trust Fund are used to assist low income seniors with Seniors' Pharmacare premiums and co-payments costs. These financial statements include the premium revenues for which the Low Income Trust Fund is responsible but do not include the assets, liabilities, fund balance, revenues and other expenses of the Low Income Trust Fund.

The payable to the Low Income Trust fund of $34,120 (1997 - $22,003) represents amounts owing for reassessments of seniors that will be reimbursed to the Low Income Trust Fund and remain unpaid at year end.

5 Fund Balance (Deficit)

For the 1996-97 and 1997-98 fiscal years, revenues from the seniors were insufficient to cover 50% of program expenses. The total revenue shortfall for the the two-year period amounted to $13,310,065 (1996-97 - $5,184,112, 1997-98 -$8,125,953).

In December 1997, the Province of Nova Scotia provided an additional contribution of $11,500,000 to fund shortfalls in revenue from seniors. The Province of Nova Scotia has also agreed to fund the remaining shortfall of $1,810,065 subject to approval by Executive Council. The full amount of the revenue shortfall has been recorded in these financial statements as an additional contribution from the Province of Nova Scotia.

6 Uncertainty due to the Year 2000 Issue

The year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

PROVINCE OF NOVA SCOTIA

LAW REFORM COMMISSION OF NOVA SCOTIA

Balance Sheet

as at March 31, 1998

ASSETS

		1998
Current Assets		
Petty Cash		$ 25.00
Bank Operating Account	8,977.83	
Term Deposits	65,580.31	
Total Cash		74,558.14
Total Current Assets		74,583.14
Fixed Assets		
Computer Office Equipment	11,795.83	
Accum Computer Office Equipment	(7,863.88)	
Net Office Equipment		3,931.95
Total Fixed Assets		3,931.95
Total Assets		$ 78,515.09

LIABILITIES

Current Liabilities		
Accrued Salary		$ 1,000.00
Accounts Payable		27,751.07
Accrued Audit		600.00
Vacation Payable		---
UIC Payable	132.34	
CPP Payable	113.44	
Income Tax Payable	380.76	
Receiver General Payable		626.54
Total Current Liabilities		29,977.61
Total Liabilities		29,977.61

EQUITY

Surplus	
Surplus Beginning of Year	52,357.51
Surplus Current Year	(3,820.03)
Accumulated Surplus	48,537.48
Total Equity	48,537.48
Liabilities and Equity	$ 78,515.09

PROVINCE OF NOVA SCOTIA

LAW REFORM COMMISSION OF NOVA SCOTIA

Statement of Income

as at March 31, 1998

		1998
Revenue		
Operating & Project Income		
Dept. of Justice	$	200,000.00
NS Law Foundation Contribution		---
Interest Income		3,036.58
Total Contributions		203,036.58
Total Revenue		203,036.58
Expenses		
Project Expenses		
Project Advisory Group		---
Project Miscellaneous		14.35
Project Meeting Costs		973.80
Project Non Legal Consult		2,896.36
Project Library Cost		36.45
Project Commissioners Fees & Disbursements		6,663.42
Project Conferences/Workshops		14.00
Project Courier		498.45
Project HST Cost		353.75
Project Photocopy/Printing Cost		6,069.02
Project Distribution		1,016.00
Project Telephone Cost		36.82
Project Travel & Transportation		200.46
Total Special Project Cost		18,772.88

PROVINCE OF NOVA SCOTIA

LAW REFORM COMMISSION OF NOVA SCOTIA

Statement of Income (continued)

as at March 31, 1998

		1998
Administrative Expenses		
Wages	138,793.03	
UIC	3,315.97	
CPP	2,289.94	
Group Insurance	1,021.04	
Total Personnel Related		145,419.98
Non Legal Consultants Fees		220.00
Admin Commissioners Fees & Disbursements		1,651.85
Electrical Expense		914.20
Meeting Costs		34.37
Library		1,362.90
Amortization		3,931.94
Audit Fees		(2,475.00)
Professional Fees		687.95
Vacation Relief		924.00
Computer Office Equipment		106.25
Internet		300.00
Admin Travel Costs		296.68
Rent	18,821.27	
Office Equipment	2,099.50	
Insurance	507.00	
Total Premises Related		21,427.77
Office Supplies	2,577.06	
Parking	21.50	
Photocopy/Printing	826.68	
Petty Cash	---	
Postage & Courier	1,025.80	
Telephone Equipment & Internet	3,640.61	
Telephone Long Distance Charges	337.35	
Conference/Workshop	4.71	
Staff Development. & Reg. Fees	691.57	
Office Equipment Maintenance	117.50	
Total Office Related		9,242.78
Bank Charges		217.02
Miscellaneous		781.47
HST Paid On Purchases		3,039.57
Total Administration		188,083.73
Total Expenses		206,856.61
Net Income		$ (3,820.03)

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the statement of the accounts established under the Members' Retiring Allowances Act for the year ended March 31, 1998. This financial statement is the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this statement presents fairly, in all material respects, the transactions of the accounts established under the Members' Retiring Allowances Act for the year ended March 31, 1998 in accordance with the provisions of the Members' Retiring Allowances Act as disclosed in the notes to the financial statement.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 30, 1998

PROVINCE OF NOVA SCOTIA

STATEMENT OF THE ACCOUNTS ESTABLISHED UNDER THE MEMBERS' RETIRING ALLOWANCES ACT

for the year ended March 31, 1998

	1998	1997
Balance, beginning of year	$ 41,964,000	$ 46,062,406
Add:		
Standard contributions		
Members	233,950	260,309
Government	233,950	260,309
Interest	3,511,019	3,916,505
Additional government contributions (Note 3)	692,492	768,351
	4,671,411	5,205,474
Deduct:		
Allowances (pensions)	2,395,417	2,158,254
Professional services	---	4,500
Refunds - contributions	73,440	7,701
- interest	7,312	10,047
Actuarial adjustment (Note 3)	255,242	7,123,378
	2,731,411	9,303,880
Balance, end of year	$ 43,904,000	$ 41,964,000

		1998	1997
Note:	Number of contributors during the year	44	44
	Number of persons receiving allowances during the year	95	85

PROVINCE OF NOVA SCOTIA

THE ACCOUNTS ESTABLISHED UNDER

THE MEMBERS' RETIRING ALLOWANCES ACT

Notes to Financial Statement

for the year ended March 31, 1998

1. Authority and Description of Plans

Members of the House of Assembly are entitled to receive allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance Account to which members and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If, at any time, the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities, allowances and salaries and the Province contributes an equal amount. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the three highest years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the consumer price index or 6%.

2. Significant Accounting Policies

In accordance with the provisions of the Members' Retiring Allowances Act this financial statement has been prepared on a modified cash basis of accounting. Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually.

For reporting purposes, the contributions and allowances under the Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance Account are combined.

3. Actuarial Valuation

Actuarial valuations of benefits under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of liabilities as at the valuation date, calculated on the basis of various assumptions with respect to pension plan costs and interest rates. The latest actuarial valuation was conducted by Sobeco Ernst & Young based on information as of August 31, 1996.

The actuarial valuation projects liabilities for each member on the basis of service earned to that date and the projected average indemnities, allowances and salaries at the date of retirement.

The valuation indicated that at August 31, 1996 the accounts had actuarial liabilities of $41,038,000. The liability accounts at the same date had balances totalling $47,389,000 giving rise to an accounting surplus of $6,351,000. The valuation was based on the following key assumptions.

Investment earnings	- pre-retirement rate of 8% - post-retirement rate of 4.35% (net of assumed pensioner cost-of-living increases per annum)
Salary escalation	- year 1 - 0.0%, year 2+ -3.5%
Cost of living escalation	- 3.5%

During the year, the Province made additional contributions of $692,492 (1997 - $768,351). This was based on the September 3, 1993 valuation which indicated that the Province would be required to contribute 39.6% of total payroll (indemnities, allowances and salaries) of contributing members, including the 10% matching portion.

A Department of Finance internally prepared estimate as at March 31, 1998, calculated the surplus in the accounts at $255,242. The accounts were adjusted to reflect this revised estimate of actuarial values.

4. Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 (or beyond) dates, is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by management, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the management's ability to conduct normal operations. Management and Province of Nova Scotia have initiated certain steps aimed at identifying the scope and alternative resolutions for the issue and it is acknowledged that additional effort will be required to address the issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the accounts, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

AUDITORS' REPORT

To the Board of Directors of the
Nova Scotia Alcohol & Gaming Authority

We have audited the balance sheet of the Nova Scotia Alcohol & Gaming Authority as at March 31, 1998 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1998, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

GRANT THORNTON
Chartered Accountants

Dartmouth, Nova Scotia
June 19, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ALCOHOL & GAMING AUTHORITY

Statement of Revenue and Expenditures

March 31, 1998

	1998	1997
Revenue		
Liquor license fees	$ 7,055,639	$ 6,747,628
Lottery licenses and fees	1,745,697	1,765,841
Casino fees	263,985	213,740
Amusement licenses	137,525	100,605
Amusement tax	314,324	2,497,717
Pari-mutuel tax	426,201	177,882
Film screening and distribution fees	368,344	---
	10,311,715	11,503,413
Administrative expenditures (Page 88)	6,481,638	6,345,647
Net revenue	$ 3,830,077	$ 5,157,766

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ALCOHOL & GAMING AUTHORITY

Balance Sheet

March 31, 1998

		1998		1997
ASSETS				
Current				
Cash	$	264,106	$	15,841
Receivables (Note 3)		812,304		373,623
Prepaid expenses		1,000		1,354
	$	1,077,410	$	390,818
LIABILITIES				
Current				
Payables and accruals	$	114,388	$	86,326
Deferred revenue		11,050		9,000
Due to Nova Scotia Liquor Commission		---		23,630
		125,438		118,956
EQUITY				
Due to Minister of Finance				
Balance, beginning of year		271,862		528,740
Net revenue		3,830,077		5,157,766
Remittances		(3,149,967)		(5,414,644)
Balance, end of year		951,972		271,862
	$	1,077,410	$	390,818

Contingency (Note 4)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ALCOHOL & GAMING AUTHORITY

Notes to the Financial Statements

year ended March 31, 1998

1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority, formerly the Gaming Control Commission and the Liquor License Board, is a regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusement Act and the Liquor Control Act. Revenues reported during the fiscal year ending March 31, 1998 were derived from the sale and renewal of licenses and registration fees and collection of taxes. Revenue and expenditures relevant to the Film Classification Board were included in the records of the Authority for the first time in the year ended March 31, 1998. Prior years' revenue and expenditures were included in the records of the Department of Housing and Consumer Affairs.

Effective April 1, 1997, sections of the Theatres and Amusement Act relating to the application of amusement taxes were repealed. Coincidental with this change, enactment of the Harmonized Sales Tax legislation transferred all responsibility for tax collection to the Federal Government, with the exception of pari-mutuel tax. Amounts shown on these statements for the year ended March 31, 1998 reflect taxes received relating to the prior year.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles except that furniture, equipment and leasehold improvements are expenses in the year of acquisition but not capitalized.

3. Receivables

	1998	1997
Amusement tax	$ 150,156	$ 216,410
Film screening fees	72,551	---
Gaming fees	143,077	168,515
Liquor license fees	398,840	136,517
Other	61,166	---
Lottery licenses and fees	---	7,062
Pari-mutuel tax	1,101,796	946,796
	1,927,586	1,475,300
Less: Allowance for doubtful accounts	1,115,282	1,101,677
	$ 812,304	$ 373,623

4. Contingency

Legal actions have been filed against the Authority by two airlines to recover fees paid on liquor during flights. No provision has been made in the financial statements for this action as the outcome is not yet determinable.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ALCOHOL & GAMING AUTHORITY

Schedule of Administrative Expenditures

year ended March 31, 1998

	1998	1997
Advertising and promotion	$ 46,216	$ 6,123
Bad debts	13,605	136,361
Computer processing	28,637	3,620
Equipment	135,810	245,217
Equipment leasing	24,353	22,542
Freight and duty	11,092	7,444
Grants and assistance	---	158,630
Meetings	29,168	75,924
Office	13,663	12,327
Other	8,542	66,638
Postage	34,273	31,969
Printing and stationery	92,029	120,576
Professional fees	934,121	419,849
Relocation	165,981	9,092
Rent	106,968	126,317
Repairs and maintenance	3,720	3,249
Security services	788,700	953,000
Telephone	162,917	189,566
Travel	434,165	450,694
Training and development	21,051	29,216
Wages and benefits	3,426,627	3,277,293
	$ 6,481,638	$ 6,345,647

AUDITORS' REPORT

To the Directors of the
Nova Scotia Arts Council

We have audited the statement of financial position of the Nova Scotia Arts Council as at March 31, 1998, and the statement of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

HORNBY & TINKHAM
Chartered Accountants

May 25, 1998
Dartmouth, Nova Scotia

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ARTS COUNCIL

Statement of Financial Position

as at March 31, 1998

	1998	1997
ASSETS		
Cash	$ —	$ 143,692
Investments (Note 3)	991,509	—
Accounts receivable	24,350	575,168
Prepaid expense	—	676
Capital assets (Note 4)	54,530	30,262
	$ 1,070,389	$ 749,798
LIABILITIES		
Bank indebtedness	$ 9,123	$ —
Accounts payable and accrued liabilities (Note 5)	216,476	73,817
Deferred contributions (Note 6)	156,488	70,551
	382,087	144,368
EQUITY		
Unrestricted for operations	—	—
Invested in capital assets	54,530	30,262
Restricted for endowment purposes	633,772	575,168
	688,302	605,430
	$ 1,070,389	$ 749,798

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ARTS COUNCIL

Statement of Operations

Year ended March 31, 1998

	1998 Budget	1998 Actual	1997 Actual
Revenue			
Grants	$ 1,300,000	$ 1,300,000	$ 202,270
Deferred grant revenue (Note 7)	70,550	17,974	(70,551)
Other (Schedule 1)	2,000	13,698	---
	1,372,550	1,331,672	131,719
Expenses			
Grants			
Grant programs for individuals (Schedule 2)	380,000	385,154	---
Portia White award	25,000	25,000	---
Interim grants	25,000	20,499	---
	430,000	430,653	---
Grant programs for organizations (Schedule 3)	543,000	539,900	
Total grants	973,000	970,553	---
Program delivery			
Salaries - program officers	70,000	50,895	---
Employees benefits	7,700	3,869	---
Travel - officers (individuals)	6,000	3,716	---
Travel - officers (organizations)	6,000	2,597	---
Assessments - juries (Schedule 4)	34,500	32,404	---
Meetings	11,150	1,995	---
Arts smarts program	---	1,089	---
Total program delivery	135,350	96,565	---

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ARTS COUNCIL

Statement of Operations (continued)

Year ended March 31, 1998

	1998 Budget	1998 Actual	1997 Actual
Administrative			
Salaries	72,000	72,333	17,640
Employees benefits	8,004	4,068	692
Travel - Executive Director	6,000	8,578	---
Travel - relocation	7,000	7,704	---
Board honoraria	12,000	9,530	18,690
Board travel	6,000	10,247	13,705
Board meetings	6,000	2,186	3,188
Office rent	24,000	20,558	8,410
Supplies and services (Schedule 5)	63,000	62,427	30,710
Professional fees	15,000	15,301	8,422
Amortization	35,200	13,632	—
Public relations	2,400	2,173	---
Miscellaneous	7,596	11,549	---
Total administrative	264,200	240,286	101,457
Total expenses	1,372,550	1,307,404	101,457
Excess of revenue over expenses	$ —	$ 24,268	$ 30,262

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ARTS COUNCIL

Statement of changes in Financial Position

Year ended March 31, 1998

	1998	1997
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenses	$ 24,268	$ 30,262
Item not affecting cash Amortization	13,632	---
	37,900	30,262
Changes in non-cash operating working capital items (Note 9)	780,091	(431,476)
	817,991	(401,214)
Financing		
Endowment contributions	58,604	575,168
Investing		
Acquisition of capital assets	(37,901)	(30,262)
Increase in investments	(991,509)	---
	(1,029,410)	(30,262)
(Decrease) increase in cash	(152,815)	143,692
Cash position, beginning of year	143,692	---
Cash position, end of year	$ (9,123)	$ 143,692

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ARTS COUNCIL

Notes to Financial Statements

Year ended March 31, 1998

1. Purpose of the organization

An act to Establish the Nova Scotia Arts Council was approved on January 11, 1996 by the 56th General Assembly of the Legislature of the Province of Nova Scotia. The purpose of the Organization is to:

- Make the arts integral to the lives of Nova Scotians;
- Foster artistic excellence throughout the Province;
- Encourage creative expression by funding activity in the arts;
- Utilize peer assessment in the determination of artistic merit and the allocation of funding;
- Educate the public regarding the cultural, social and economic importance of the arts;
- Strive for regional, cultural and developmental equity in the distribution of funding; and
- Carry out research on matters related to the Arts.

The Organization is also responsible for establishing and maintaining the Nova Scotia Arts Endowment Fund.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies.

Revenue recognition

The Nova Scotia Arts Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in equity.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are being amortized on a straight-line basis over a period of five years.

Investments

Investments are recorded at the lower of cost and market value.

3. Investments

Unrestricted for operations	$	359,702
Restricted for endowment purposes		631,807
	$	991,509

4 Capital Assets

	Cost	Accumulated Amortization	Net 1998	Net 1997
Office furniture	$ 33,580	$ 6,716	$ 26,864	$ 895
Computer equipment	34,582	6,916	27,666	29,367
	$ 68,162	$ 13,632	$ 54,530	$ 30,262

5. Accounts Payable and Accrued Liabilities

	1998	1997
Trade payables and accruals	$ 23,656	$ 73,817
Grants payable	192,820	---
	216,476	73,817

6. Deferred Contributions

Deferred contributions represent restricted operating funding received in the current period that is related to the subsequent period. This deferred revenue will be expensed as indicated in next year's budget:

Grant programs	$	2,447
Office renovations		8,700
Operations		41,430
		52,577
Arts Smarts Program (McConnell Foundation)		103,911
	$	156,488

7. Deferred Grant Revenue

	1998	1997
Amount from prior year	$ 70,551	$ ---
Less contributions deferred relating to next year	(52,577)	(70,551)
Amount recognized as revenue in the year	$ 17,974	$ (70,551)

8. Endowment Fund

The endowment fund was established in March 1997 with a grant from the Province of Nova Scotia. The Governor in Council has established the Regulations for this fund under the Regulations Act. The Council shall only make withdrawals of capital from the Endowment Fund for the purpose of investing the money and in accordance with the instruction of the investment managers. The fund advisors shall recommend annually to the Council the amount of income of the Endowment Fund, including, without limitation, interest, dividends, and realized capital gains, to be distributed to the Council for expenditures either as set out in the Endowment Fund budget prepared by the Council or with approval of the Minister. The value of the capital of the Endowment Fund after inflation should not diminish over time. Until such time as the endowed funds reach $1 million, all earnings of the fund will be retained to grow the Endowment Fund.

9. Changes in Non-Cash Operating Working Capital Items

	1998	1997
Accounts receivable	$ 550,818	$ (575,168)
Prepaid expense	676	(676)
Accounts payable and accrued liabilities	142,660	73,817
Deferred contributions	85,937	70,551
	$ 780,091	$ (431,476)

10. Endowment Contributions

	1998	1997
Provincial grant	$ —	$ 575,168
Donations	45,000	—
Investment income	13,604	—
	$ 58,604	$ 575,168

11. General

The 1997 comparative financial statements have been restated to conform with the financial statement presentation adopted for 1998.

Schedule 1

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ARTS COUNCIL

Other Revenue

Year ended March 31, 1998

	1998 Budget	1998 Actual
Interest	$ 2,000	$ 12,109
Other	---	500
Arts smarts program	---	1,089
	$ 2,000	$ 13,698

Schedule 2

GRANT PROGRAMS FOR INDIVIDUALS

Year ended March 31, 1998

Professional development	$ 40,000	$ 37,600
Travel	20,000	20,550
Presentation	60,000	59,994
Creation	240,000	247,110
Research	20,000	19,900
	$ 380,000	$ 385,154

Schedule 3

GRANT PROGRAMS FOR ORGANIZATIONS

Year ended March 31, 1998

Production	$ 200,000	$ 200,000
Touring	50,000	50,000
Commissioning	28,000	28,000
Operating grants	250,000	241,900
Professional development	15,000	20,000
	$ 543,000	$ 539,900

Schedule 4

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA ARTS COUNCIL

ASSESSMENTS - JURIES

Year ended March 31, 1998

	1998 Budget	1998 Actual	1997 Actual
Assessment - juries (individual)			
Per diems $	2,392 $	2,520 $	—
Travel	3,400	1,354	—
Accommodation	6,108	4,907	—
Honorarium	9,822	10,920	—
Miscellaneous	—	582	—
	21,722	20,283	—
Assessment - juries (organizations)			
Per diems $	1,408 $	972 $	—
Travel	2,000	2,212	—
Accommodation	3,593	1,954	—
Honorarium	5,777	5,564	—
Miscellaneous	—	1,419	—
	12,778	12,121	—
Total assessment juries $	34,500 $	32,404 $	—

Schedule 5

SUPPLIES AND SERVICES
Year ended March 31, 1998

Professional development	$ 3,000	$ 560	$ 407
Conference	2,000	1,184	---
Courier	3,000	1,056	229
Postage	2,000	4,546	855
Telephone	14,000	10,895	2,266
Stationary and supplies	14,000	21,234	3,431
Membership dues	1,000	135	135
Bank charges	1,000	287	137
Insurance	3,000	796	---
Equipment rental	1,000	2,001	931
Advertising and promotion	14,000	14,445	---
Job search costs	5,000	5,288	22,319
	$ 63,000	$ 62,427	$ 30,710

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Economic Development and Tourism

I have audited the balance sheet of the Nova Scotia Business Development Corporation as at March 31, 1998, and the statement of continuity of Fund for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

These financial statements reflect proposed write-offs of assistance outstanding of $9,136,000 which were yet to be approved by Govern in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which I might determine to be necessary should Governor in Council not approve the amounts for write-off, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998, and the continuity of Fund for the year then ended in accordance with the basis of accounting required by Section 15 of the Business Development Corporation Act and the accounting policies detailed in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 8, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND

Balance Sheet

as at March 31, 1998

ASSETS

	1998 (in thousands)	1997
Loans and Shares, at cost		
Loans Receivable	$ 140,225	$ 132,937
Community Business Loan Program	4,038	4,113
Shares (Note 3)	17,560	16,970
	161,823	154,020
Less: Provision for Concessionary Assistance (Note 4)	24,703	31,255
Allowance for Doubtful Accounts	27,279	26,884
	51,982	58,139
	109,841	95,881
Industrial Parks (Note 5)	23,891	24,336
Other Assets (Note 6)	5,894	6,933
Less: Provision for Decline in Value	711	1,726
	5,183	5,207
Due from Consolidated Fund		
Guarantees (Note 7)	17,624	24,310
Less: Provision for Payment under Guarantees	2,062	5,719
	15,562	18,591
Assistance Authorized but Unadvanced	27,305	31,687
	42,867	50,278
	$ 181,782	$ 175,702

FUNDING AUTHORIZED AND COMMITTED

	1998	1997
Authorized, Net of Write-Offs	$ 303,802	$ 312,938
Less: Provision for Concessionary Assistance and Possible Losses on Assistance (Note 8)	54,755	65,584
Net Fund Balance	249,047	247,354
Less: Uncommitted Balance of Fund	67,265	71,652
	$ 181,782	$ 175,702

Contingency (Note 9)

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND

Statement of Continuity of Fund

for the year ended March 31, 1998

	1998 (in thousands)	1997
Balance, beginning of year	$ 312,938	$ 315,141
Deduct: Accounts written-off	9,136	2,203
Balance, end of year	$ 303,802	$ 312,938
Comprising:		
Loans receivable, shares and other assets	$ 167,717	$ 160,953
Industrial parks	23,891	24,336
Guarantees in effect and utilized	9,059	13,531
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized	35,870	42,466
Uncommitted balance	67,265	71,652
	$ 303,802	$ 312,938

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND

Notes to Financial Statements

March 31, 1998

1. Authority

The Nova Scotia Business Development Corporation was established pursuant to the Business Development Corporation Act. The Act provided for the creation of the Nova Scotia Business Development Corporation Fund. The object of the Corporation is to encourage business development in the Province by providing financial assistance to business through the Fund, or such other assistance as may be determined by the Governor-in-Council. The Corporation's activities are administered through a division of the Department of Economic Development and Tourism (formerly the Nova Scotia Economic Renewal Agency).

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (b), (c), (e) and (f) below.

Administrative Expenses, Interest Revenue and Expense

(a) Administrative expenses of the Corporation and revenues earned on guarantees are included in the accounts of the Department of Economic Development and Tourism and are not reflected in the financial statements. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and are not reflected in the financial statements.

Statement of Changes in Financial Position

(b) A statement of changes in financial position is not provided since disclosure in the statements of continuity of the fund and the balance sheet are considered adequate.

Current Assets

(c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Industrial Parks

(d) Industrial parks are carried at cost of acquisition plus direct costs of improvements, net of proceeds of disposal. Selling prices are established using a number of considerations and may be set to provide financial assistance. The park lands are reflected on an aggregate basis at the lower of cost or estimated market value.

(e) The buildings in the parks are carried at book value. No depreciation is charged on the buildings.

(f) Operational responsibility for the industrial parks has been assigned to the Department of Transportation and Public Works. Revenues and expenses associated with the operation of the industrial parks are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

Other Assets

(g) Properties which are rented to third parties under capital lease arrangements are carried at unamortized cost. A portion of rent received on capital leases is recorded as a reduction in the carrying value of individual assets.

Properties acquired through foreclosure are carried at the cost of foreclosure acquisition.

Properties acquired through default of capital leases are carried at the unamortized value of the lease.

When a permanent reduction in the value of property under a capital lease arrangement becomes known, the carrying cost of the property is reduced to net realizable value.

Properties in default under capital lease arrangements and properties acquired through foreclosure are subject to a provision for write down annually to estimated realizable value.

Provision for Concessionary Assistance

(h) The Corporation provides for the effect of the decrease in valuation of certain loans and shares due to the assistance being provided with concessionary terms.

Allowance for Doubtful Accounts

(i) The Corporation provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis except for loans under the Community Business Loan Program for which a blanket provision is determined based on past years' loan performance. In addition, a general reserve is provided on any unreserved assistance outstanding.

3. Shares

	1998	1997
	(in thousands)	
Preferred shares	$ 12,960	$ 12,370
Common shares	4,600	4,600
	$ 17,560	$ 16,970

4. Provision for Concessionary Assistance

Concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Corporation.

The terms of concessionary assistance provided by the Corporation has included low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance.

The assistance outstanding, provision for concessionary assistance and net book value (NBV) related to loans and shares are as follows:

	1998			1997
	Assistance Outstanding	Provision for Concessionary Assistance	NBV	NBV
		(in thousands)		
Loans	$ 35,149	$ 17,859	$ 17,290	$ 10,655
Shares	11,764	6,844	4,920	4,873
	$ 46,913	$ 24,703	$ 22,210	$ 15,528

5. Industrial Parks

These parks consist of land in various stages of development from unimproved to fully developed and serviced lots. The parks also include buildings, which are mainly used as incubator malls.

No provision has been made to reflect on an individual park-by-park basis the difference between the carrying cost and fair market value. As at March 31, 1998 the cost of parks in excess of management's determination of market value totalled $5,529,523 (market value - $2,200,000). The cost of parks where market value exceeded cost was $11,761,908 (market value - $21,200,000). This results in an estimated net excess of current market value over carrying costs of approximately $6,108,000.

The balance of the cost of industrial parks of $6,599,901 is represented by the book value of the incubator malls, other buildings and property at March 31, 1998.

6. Other Assets

	1998	1997
	(in thousands)	
Leased Properties	$ 1,072	$ 1,924
Assets Acquired by Foreclosure	4,822	5,009
	$ 5,894	$ 6,933

7. Guarantees

	1998	1997
	(in thousands)	
Guarantees - In effect and utilized	$ 9,059	$ 13,531
Guarantees - In effect but not utilized	8,565	10,779
	$ 17,624	$ 24,310

During the year one guarantee totalling $3,000,000 was paid out.

8. Provision for Concessionary Assistance and Possible Losses on Assistance

The following is a continuity of the provision:

	1998	1997
	(in thousands)	
Balance, beginning of year	$ 65,584	$ 59,096
Add: Current year (recovery) provision	(1,693)	8,691
Deduct: Accounts written-off	9,136	2,203
Balance, end of year	$ 54,755	$ 65,584

9. Contingency

The Corporation has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. An estimate of the amount of future costs under these agreements cannot be reasonably determined and are not reflected in the financial statements.

10. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 (or beyond) dates, is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Corporation, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal operations. The Corporation and Province of Nova Scotia have initiated certain steps aimed at identifying the scope and alternative resolutions for the issue and it is acknowledged that additional effort will be required to address the issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and

To the Chair and Members of the Nova Scotia Crop
and Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop and Livestock Insurance Commission as at March 31, 1998, and the statement of income and fund balances for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1998 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 5, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Current Assets		
Cash	$ 74,296	$ 57,927
Short-term investments	5,076,304	5,044,972
Accounts receivable	19,971	5,775
Accrued interest receivable	4,396	60,720
	$ 5,174,967	$ 5,169,394

LIABILITIES AND FUND BALANCES

	1998	1997
Current Liabilities		
Unearned premiums	$ 33,722	$ 32,102
Deposits for insurance	751	526
Provision for payment of unsettled indemnities (Note 3)	16,200	4,107
	50,673	36,735
Fund Balances		
Crop insurance	4,168,871	4,193,132
Livestock insurance	955,423	939,527
	5,124,294	5,132,659
	$ 5,174,967	$ 5,169,394

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Notes to Financial Statements

March 31, 1998

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging furniture and equipment purchases to expense in the year of acquisition.

3. Provision for Payment of Unsettled Indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been recorded in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

4. Government Contributions

Under the crop insurance programs, producers pay 50% of the insurance premiums and the Federal and Provincial governments each pay 25%. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 1998 fiscal year, the Federal government contributed 49% (1997 - 49%) of the total administrative expenses. The Provincial government funded the remainder.

5. Insurance Coverage

The total insurance coverage as of March 31, 1998 was $37,000,322 (1997 - $33,515,774), comprising crop insurance of $12,592,922 (1997 - $11,406,574) and livestock insurance of $24,407,400 (1997 - $22,109,200).

The Province is party to an agreement with the Government of Canada, whereby, the Province makes advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Transactions concerning this Fund are recorded by the Province and are not reflected in the accounting records of the Commission.

There is no Re-insurance Fund for livestock. The Province is responsible for any deficiency in these funds.

6. Public Service Superannuation Fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability.

7. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Nova Scotia Crop and Livestock Insurance Commission, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Commission's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Commission, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Income and Fund Balances

for the year ended March 31, 1998

	Crop Insurance	Livestock Insurance	Other	Totals 1998	Totals 1997
Revenues					
Insurance premiums (Schedule A)	$ 596,581	$ 24,557	$ ---	$ 621,138	$ 603,633
Interest income	160,965	36,018	---	196,983	215,971
	757,546	60,575	---	818,121	819,604
Expenses					
Indemnity claims (Schedule A)	781,807	44,679	---	826,486	503,879
Bad debt expense	---	---	---	---	6,717
Administrative expenses (Schedule B)	635,225	6,481	6,481	648,187	518,057
	1,417,032	51,160	6,481	1,474,673	1,028,653
Income (loss) before Government contributions	(659,486)	9,415	(6,481)	(656,552)	(209,049)
Government contributions (Note 4)	635,225	6,481	6,481	648,187	518,057
Net Income (Loss).	(24,261)	15,896	---	(8,365)	309,008
Fund Balance					
Beginning of year	4,193,132	939,527	---	5,132,659	4,823,651
End of year	$ 4,168,871	$ 955,423	$ ---	$ 5,124,294	$ 5,132,659

Schedule A

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Premium Revenue and Indemnity Claims

for the year ended March 31, 1998

	Premium Revenue					Indemnity Claims	
	Farmer	Federal	Provincial	1998	1997	1998	1997
Crop Insurance							
Spring grain	$ 35,534	$ 17,767	$ 17,767	$ 71,068	$ 62,760	$ 69,444	$ 52,385
Winter grain	11,111	5,556	5,556	22,223	15,372	99,090	5,158
Tree fruit	114,309	57,155	57,155	228,619	248,412	124,559	56,044
Corn	34,917	17,459	17,459	69,835	62,068	115,198	67,198
Peas & Beans	50,224	25,112	25,112	100,448	92,820	50,756	89,179
Blueberries	30,448	15,224	15,224	60,896	50,429	255,784	144,488
Strawberries	3,623	1,811	1,811	7,245	7,083	9,620	11,134
Forage	1,429	715	715	2,859	1,296	2,864	---
Soybeans	5,552	2,776	2,776	11,104	7,535	24,169	7,156
Potatoes	11,142	5,571	5,571	22,284	29,685	30,323	23,176
	298,289	149,146	149,146	596,581	577,460	781,807	455,918
Livestock Insurance							
Dairy	24,557	---	---	24,557	26,173	44,679	47,961
Total	$ 322,846	$ 149,146	$ 149,146	$ 621,138	$ 603,633	$ 826,486	$ 503,879

Schedule B

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Administrative Expenses

for the year ended March 31, 1998

	Crop Insurance	Livestock Insurance	Other	Totals	
				1998	1997
Personnel	$ 388,135	$ 3,961	$ 3,961	$ 396,057	$ 359,966
Transportation and communication	56,122	573	573	57,268	50,968
Information	9,105	93	93	9,291	5,776
Professional and special services	24,846	254	254	25,354	14,823
Office accommodation and equipment rental	29,733	303	303	30,339	34,921
Repair and maintenance of equipment	2,106	21	21	2,148	3,286
Utilities, materials and supplies	13,769	140	140	14,049	2,875
Capital purchases less than $50,000	68,054	694	694	69,442	7,272
Other expenditures	43,355	442	442	44,239	38,170
	$ 635,225	$ 6,481	$ 6,481	$ 648,187	$ 518,057

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Chair and Members of the Nova Scotia Farm Loan Board

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1998. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements presents fairly, in all material respects, the financial position of the Board as at March 31, 1998 in accordance with the accounting policies set out in Note 2 of the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 6, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
	(in thousands)	
Accounts receivable	$ 1,256	$ 1,013
Loans receivable (Note 3, Schedule 1)	132,659	131,725
Real estate (Note 4)	4,691	5,618
	$ 138,606	$ 138,356

LIABILITIES

	1998	1997
Insurance reserve (Note 5)	$ 2,098	$ 1,878
Advance from Department of Finance (Note 6)	136,508	136,478
	$ 138,606	$ 138,356

Commitments (Note 7)
Contingency (Note 8)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

Notes to Balance Sheet

March 31, 1998

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policy.

Administrative expenses of the Board, and the interest and lease revenues earned are included in the records of the Nova Scotia Department of Agriculture and Marketing. Capital advance interest charges are recorded in the accounts of the Department of Finance. These amounts are not reflected in these financial statements. These statements also exclude accrued loan interest receivable.

3. Loans Receivable

	1998	1997
	(in thousands)	
Farm loans	$ 136,461	$ 135,061
Timber loans	1,608	1,858
	138,069	136,919
Less: Allowance for doubtful accounts	5,410	5,194
	$ 132,659	$ 131,725

4. **Real Estate -** at lower of cost and net realizable value

	1998 (in thousands)	1997
Real estate being leased or held	$ 990	$ 1,279
Land bank	3,670	4,596
Land consolidation Agricultural Rural Development Agreement (ARDA)	163	176
Less: Federal Government share of cost of ARDA properties	(82)	(88)
Held for Department of Agriculture and Marketing	699	542
	5,440	6,505
Less: Allowance for doubtful recoveries	749	887
	$ 4,691	$ 5,618

5. **Insurance Reserve**

The Board requires borrowers to participate in a group life program administered by the Board. The carrier of the insurance will pay claims up to 100% and above 125% of premiums received from borrowers during the year. The insurance reserve will be used to fund the portion of claims that fall between these two limits. In addition, the Board may use the reserve to maintain or reduce future premiums charged to borrowers under the policy and pay for professional services related to the program.

Of the total reserve, $1,079,000 (1997 - $1,143,000) is held by the Department of Finance, which reduces the Board's advances from the Department. The remaining $1,019,000 (1997 - $735,000) is held by the carrier of the insurance plan, and is included in the accounts receivable of the Board. Interest is paid by the insurance plan carrier on an annual basis for certain funds and on a daily basis for other funds, and the interest rates used are set at the beginning of each policy year. The funds held by the Department of Finance bear no interest.

6. **Advance from Department of Finance**

	1998 (in thousands)	1997
Advance from Department of Finance	$ 144,765	$ 144,437
Less: Insurance reserve	2,098	1,878
Allowance for doubtful accounts and recoveries	6,159	6,081
	8,257	7,959
	$ 136,508	$ 136,478

7. Commitments

As at March 31, 1998, the Board had authorized loans of $10,607,214 (1997 - $4,145,466) which had not been disbursed.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Farm Loan Board, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

Schedule 1

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

Continuity of Loans Receivable

for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Loans receivable		
Balance, beginning of year . . . . $	136,919 $	145,319
Add: Advances made		
Farm loans	23,297	22,748
	160,216	168,067
Deduct: Payments received		
Farm loans	21,532	30,519
Timber loans	250	285
Net transfers to real estate	365	344
	22,147	31,148
Balance, end of year	138,069	136,919
Allowance for doubtful accounts	5,410	5,194
Loans receivable, net of allowance . . . . $	132,659 $	131,725

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Economic Development and Tourism

I have audited the balance sheet of Nova Scotia Film Development Corporation as at March 31, 1998 and the statement of operations and surplus for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
June 5, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Current		
Cash and short-term investments		
General	$ 934,158	$ 519,403
MT & T New Media Fund (Note 5)	221,638	---
Demand notes receivable	---	128,000
Other receivables	28,637	7,870
Prepaids	20,447	---
	$ 1,204,880	$ 655,273

LIABILITIES

	1998	1997
Current Liabilities		
Deferred Revenue of the MT & T New Media Fund	$ 150,000	$ ---
Accounts payable and accrued liabilities	15,559	46,280
Unearned revenue	17,481	270
	183,040	46,550

SURPLUS

	1998	1997
Surplus (Note 3)		
General	950,202	608,723
MT & T New Media Fund	71,638	---
	1,021,840	608,723
	$ 1,204,880	$ 655,273

Contingent Commitments - General $730,684 (1997 - $654,413)
MT & T New Media Fund $56,981 (Note 3)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Surplus

as at March 31, 1998

	1998	1997
Surplus, beginning of year		
General	$ 608,723	$ 762,317
MT & T New Media Fund	—	—
	608,723	762,317
Excess (deficiency) of Revenues over Expenditures		
General	341,479	(153,594)
MT & T New Media Fund	71,638	—
	413,117	(153,594)
Surplus, end of year		
General	950,202	608,723
MT & T New Media Fund	71,638	—
	$ 1,021,840	$ 608,723

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Operations

for the year ended March 31, 1998

	1998	1997
Revenues		
General		
Contributions from the Department of Economic Development and Tourism (Note 4)	$ 3,009,400	$ 1,717,500
Recovery of equity investments and development loans (Notes 6, 7)	200,774	132,952
Interest and other income	37,746	42,482
	3,247,920	1,892,934
MT & T New Media Fund		
From MT & T	75,000	---
From general	75,000	---
	150,000	---
	3,397,920	1,892,934
Expenditures		
General funds Assistance programs		
Equity investments (Note 6)	1,880,190	1,294,000
Project development loans (Note 7)	208,715	87,277
Special project grants	202,828	136,336
General payment to MT & T New Media Fund	75,000	---
	2,366,733	1,517,613
MT & T New Media Fund Assistance Programs		
New media development loans	78,362	---
Administrative expenses (Schedule 1)	539,708	528,915
	2,984,803	2,046,528
Excess (Deficiency) of Revenues over Expenditures		
General	341,479	(153,594)
MT & T New Media Fund	71,638	---
Total	$ 413,117	$ (153,594)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

for the year ended March 31, 1998

1. **Authority**

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Tax Credit Program, including registration of productions and review tax credit applications.

2. **Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for the undernoted items:

(i) Program grants, loans and equity participation are charged to current expenditures as disbursed. Recoveries derived from equity investments are recorded as revenue when received. Recoveries of project development loans are offset against expenditures when received.

(ii) Capital asset acquisitions are recorded as current expenditures. Any proceeds from disposal thereof are recorded as revenues.

(iii) The costs incurred by government departments providing certain services to the Corporation are not reflected in these statements.

(iv) A statement of changes in financial position is not provided since disclosure in the statement of operations, statement of surplus and the balance sheet is considered adequate.

(v) The act of incorporation required the establishment of a special account known as the Nova Scotia Film Development Corporation Fund. Any investments or guarantees were to be charged to the fund and corporate administrative expenses were to be paid from the Consolidated Fund of the Province. No fund has been established and all charges and expenses of the Corporation have been paid out of an appropriation from the Consolidated Fund of the Province.

3. Surplus and Contingent Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which will not result in program disbursements until subsequent fiscal periods.

As at March 31, 1998, the Corporation is contractually committed to advance funds totalling $730,684 (1997 - $654,413) from the general fund and $56,981 from the MT & T New Media fund as investments and loans in respect of current and future projects.

4. Economic Dependence/Services Provided

The Corporation is economically dependent on the Department of Economic Development and Tourism for annual funding. During the year, services were provided to the Corporation by government departments, including the following:

Legal services	$	56,250
Rent		30,000
	$	86,250

The cost of these services is not reflected in these financial statements.

5. MT & T New Media Fund

The corporation and Maritime Tel & Tel (MT & T) entered into an agreement on August 18, 1997 for the purpose of assisting the corporation's mandate to develop Nova Scotia film, video and multi-media productions. Maritime Tel & Tel agreed to contribute $400,000 over three years (1997-98, $75,000; 1998-99, $150,000; 1999-2000, $175,000) which contribution will be matched by the corporation. These funds are to be segregated and disbursed according to guidelines jointly development by the corporation and Maritime Tel & Tel. The activities, assets and liabilities of this fund have therefore been distinguished from those of the general funds of the corporation in these financial statements.

6. Equity Investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues generated by projects. Revenue is recorded as received.

During the year the Corporation received $170,774 (1997 - $58,581). The total equity investments of the Corporation to March 31, 1998 is $9,900,176, with recoupment to March 31, 1998 of $394,719, for a net of $9,505,448.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. All project development loans are charged to current expenditures when disbursed. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 1998 were $657,456 (1997 - $537,564). Development loans of $30,000 (1997 - $74,371) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Corporation's administrative expenses. The Public Service Superannuation Fund is administered by the Department of Finance.

9. Comparative Numbers

Certain of the prior year's figures have been restated to conform with current year presentations.

Schedule 1

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Administrative Expenses

for the year ended March 31, 1998

	1998	1997
Salaries and Benefits	$ 309,838	$ 213,181
Contract Buy-Out	---	118,498
Staff Training	4,157	1,545
Audit Services	---	3,785
Advertising	38,235	25,441
Bank Charges	1,105	1,240
Consultants	9,404	10,102
Courier Services	4,299	3,803
Dues, Fees and Subscriptions	3,364	897
Insurance	1,389	1,431
Legal Fees	---	1,187
Location Scout	5,467	3,313
Miscellaneous	(3,739)	(5,632)
Repairs & Maintenance	3,385	1,605
Production Guide (Net of Receipts)	18,014	1,528
Board Honorarium and Expenses	39,806	59,577
Capital Equipment	3,505	4,355
Photocopier/Fax Rent	5,223	5,782
Office Supplies	12,704	6,298
Postage	4,430	7,242
Photos	4,477	3,895
Library	454	802
Conferences/Marketing	5,079	7,271
Telephone and Fax	10,353	12,828
Business Travel Expenses	58,759	38,941
Total	$ 539,708	$ 528,915

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 1998 and the statements of income and retained income earnings for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position Corporation as at March 31, 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

My auditor's report on the Corporation's March 31, 1997 financial statements was qualified. In my opinion, the net income of the Corporation reported for the year ended March 31, 1997 was understated by $2,143,409 related to casino gaming due to the Corporation's interpretation of the Operating Contract between Corporation and Metropolitan Entertainment Group. This interpretation results in the adoption of an expense allocation approach which recognized the payment of any shortfalls that arise in a year as an expense for the year in which they are paid.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 15, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Current		
Due from Atlantic Lottery Corporation Inc.	$ 10,533,717	$ 8,607,772
Due from Metropolitan Entertainment Group (Note 2(d))	6,556,869	5,612,436
Prepaids	1,361	1,361
	17,091,947	14,221,569
Long-term		
Investment in Atlantic Lottery Corporation Inc. (Note 4)	100	100
Investment in Interprovincial Lottery Corporation (Note 5)	1	1
Due from Atlantic Lottery Corporation Inc. (Note 6)	---	808,468
Fixed Assets (Note 7)	41,082	44,460
	41,183	853,029
	$ 17,133,130	$ 15,074,598

LIABILITIES

	1998	1997
Current		
Accounts Payable	$ 813,693	$ 269,234
Due to Nova Scotia Gaming Foundation (Note 2(f))	57,955	53,572
Due to Province of Nova Scotia (Note 8)	16,261,482	13,943,324
	17,133,130	14,266,130

EQUITY

	1998	1997
Fixed assets of Atlantic Lottery Corporation Inc. (Note 6)	---	808,468
	$ 17,133,130	$ 15,074,598

Contingencies and Commitments (Notes 3, 9 and 11)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Income Statement

for the year ended March 31, 1998

	1998	1997
REVENUE		
Atlantic Lottery Corporation Inc.		
Regular Lottery (Schedule I)	$ 180,819,528	$ 171,163,233
Other (Schedule I)	693,380	192,330
Net Video Lottery (Schedule II)	120,995,501	106,601,378
Sheraton Halifax Interim Casino (Schedule III)		
Casino	48,226,292	46,313,119
Beverage, Food and Other	1,167,390	1,285,645
Sheraton Sydney Casino (Schedule IV)		
Casino	25,782,596	24,717,496
Beverage, Food and Other	1,690,169	1,887,350
	379,374,856	352,160,551
EXPENSES		
Atlantic Lottery Corporation Inc.		
Regular Lottery (Schedule I)	142,594,812	130,276,405
Video Lottery (Schedule II)	40,644,489	37,759,642
Special Payments (Note 4(d))	200,000	200,000
Bonus Commissions (Note 4(d))	33,472	48,009
Nova Scotia Gaming Foundation Contribution (Note 2(f))	359,970	318,014
Sheraton Halifax Interim Casino (Schedule III)		
Win tax	9,645,258	9,262,572
Operating	25,226,102	24,101,453
Payments to Operator (Note 3(a)(ii))	11,155,705	12,061,055
Sheraton Sydney Casino (Schedule IV)		
Win tax	5,156,520	4,943,499
Operating	14,685,083	13,078,011
Payments to Operator (Note 3(a)(ii))	6,401,070	8,414,896
Corporation (Schedule V)	1,173,463	867,041
	257,275,944	241,330,597
Net Operating Income	122,098,912	110,829,954
Income Guarantee (Notes 2(d))	5,501,514	8,351,805
Net Income	$ 127,600,426	$ 119,181,759

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Statement of Retained Earnings

for the year ended March 31, 1998

	1998	1997
Balance, beginning of year	$ —	$ —
Net income	127,600,426	119,181,759
Payments to Province of Nova Scotia	127,600,426	119,181,759
Balance, end of year	$ —	$ —

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Notes to the Financial Statements

for the year ended March 31, 1998

1. Description of Business

The Nova Scotia Gaming Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2. Accounting Policies

(a) Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principals. A statement of changes in financial position is not provided as disclosure in the balance sheet and the income statement is considered adequate.

(b) Casino Revenue

In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

(c) Video Lottery Revenue

In accordance with industry practice, video lottery revenues are reported as the net receipts from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

(d) Income Guarantee

In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator), the Nova Scotia Gaming Corporation and Sheraton International Inc. (Guarantor) (Note 3), an income guarantee was provided to ensure Total Provincial Revenue in each of the first four years of operation would not be less than $25 million. Total Provincial Revenue was defined to include the aggregate of casino win tax (20%) paid to the Province of Nova Scotia, annual registration fees of $100,000 paid to the Nova Scotia Alcohol and Gaming Authority (formerly Nova Scotia Gaming Control Commission) and the annual net operating income of the Nova Scotia Gaming Corporation from the casino complexes. On a cumulative monthly basis the amount of the income guarantee is accrued if defined Total Provincial Revenue earned is less than $2,083,333, which equals the pro rata monthly portion of the $25 million.

The commencement date of the guarantee period was June 1, 1995 with an expiry date of July 31, 1999. If defined Total Provincial Revenue falls below the $25 million in any year of the guarantee period the Operator is obligated to pay the deficiency within 90 days after the end of each guarantee year.

The third year of the income guarantee commenced August 1, 1997. Of the $6,556,869 due from Metropolitan Entertainment Group, $4,824,353 has been accrued to reflect the difference between defined Total Provincial Revenue earned during the guarantee period between August 1, 1997 and March 31, 1998 and the prorated amount of the income guarantee for the period. This receivable will be adjusted over the remaining four months of the income guarantee period as the financial results are reported.

Pursuant to the Operating Contract, the Nova Scotia Gaming Corporation and the Operator have agreed that if defined Total Provincial Revenue exceeds $25 million in any year through to July 31, 2000, then any previous deficiencies paid by the Operator can be recovered from the Corporation if defined Total Provincial Revenue is in excess of $25 million. The Corporation will record any repayment to the Operator as a reduction of net income of the Corporation.

(e) **Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates.

Computer equipment	30%
Office equipment	20%

(f) **Nova Scotia Gaming Foundation Contribution**

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The purpose of the Foundation is to receive, maintain and disburse funds in furtherance of the purposes set out in the Gaming Control Act, including for research or education in respect of gambling, or treatment and remediation of the effects of gambling. All funds accumulated in the VLT (Video Lottery Terminal) Problem Gaming Fund have been transferred to the Nova Scotia Gaming Foundation.

The VLT Problem Gaming Fund had been created in April 1995 following agreement between the Lounge and Beverage Room Association of Nova Scotia and the Nova Scotia Gaming Corporation whereby the Association agreed that its members would contribute to the VLT Problem Gaming Fund provided the number of VLTs and the commission rate would not be reduced for three years. The members of the Association and all other VLT siteholders agreed, under the terms of their siteholder agreements with Atlantic Lottery Corporation Inc., that they would contribute 1% of their VLT commission to the VLT Problem Gaming Fund. The Nova Scotia Gaming Corporation agreed to contribute an amount equal to all contributions made by the VLT siteholders.

As at March 31, 1998, the Foundation has a fund balance of $2,031,563 ($1,271,407 - 1997).

(g) **Investments**

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

3. The Casino Contract

(a) Operating Contract

i) Term

On May 31, 1995 the Nova Scotia Gaming Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Sheraton Casinos Nova Scotia/Operator), a partnership between ITT Sheraton Canada Ltd. and Purdy's Wharf Development Limited, to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015. The Operating Contract provides Metropolitan Entertainment Group with the exclusive right to operate casino gaming in Nova Scotia as an agent on behalf of the Corporation.

ii) Payments to Operator

The Operator is entitled to certain payments from each casino calculated with reference to the following items, which are listed in Section 4.7 of the Operating Contract.

- An amount based upon the Operator's capital investment in Halifax and Sydney with respect to each Casino Complex, which amount is amortized straight-line over a three-year term in Halifax and a ten- year term in Sydney, with interest calculated at 12% on the total outstanding capital investment.

- An amount equal to 1.5% of casino revenue before casino win tax (20%) to fund a capital replacement reserve. Disbursements from this reserve are required to be approved in advance by the Nova Scotia Gaming Corporation through the annual capital budget approval process.
  Sheraton Halifax Interim Casino's capital replacement reserve balance at March 31 is $1,940,825 ($1,145,382 - 1997) and in Sydney the balance is $1,006,145 ($559,008 - 1997).

- An amount equal to 3% of casino revenue in Sydney as a Base Fee and 10% of casino revenue, less casino win taxes, the Base Fee and defined Operating Expenses as an Incentive Fee.

- An amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above. The Operator will track the amount of the shortfall and will be entitled to increased payments by an amount equal to the accumulated shortfall plus interest at prime plus 1% during the period in which the shortfall is outstanding.

- An amount equivalent to 35% of cash available for distribution, as defined in the Operating Contract from the Sheraton Halifax Interim Casino.

iii) Cash Available for Distribution to the Corporation

The Nova Scotia Gaming Corporation's net operating income consists of the cash available for distribution after payments to Operator.

iv) Operating Period

Net operating income earned by the Corporation is calculated based upon the operating period which, is defined in the Operating Contract as the calendar year. The Nova Scotia Gaming Corporation's annual financial statements are prepared based upon a March 31 year-end. Any net operating income earned by the Corporation during the operating period ended December 31 is not subsequently adjusted in the event the casino operation has a shortfall in the next quarter.

v) Mandatory Deferral

During the year, the income was insufficient to pay to the Operator the maximum payment to which the Operator is entitled with reference to their capital investment. In the three-month period ended March 31, 1998, the Operator incurred a shortfall of $102,689 in Sydney. This amount has not been recorded in the financial statements. This amount will be eligible for payment to the Operator from income in the upcoming year and will be accounted for at that time.

vi) Approvals

The Nova Scotia Gaming Corporation is required to approve, annually, the Operator's annual operating and capital budgets for both casino complexes. The approval of the 1997 operating and capital budgets for the Halifax and Sydney Casinos remain outstanding.

The Corporation has approved the Operator's 1998 operating and capital budgets for the Halifax and Sydney Casinos with the exception of the Operator's failure to make provision for payment of HST from the casino revenues. The Corporation disagrees with the Operator's treatment of HST (see Note 13).

The Corporation is also required to review annually the Operator's audited financial statements for both casino complexes. Pursuant to Section 4.16 of the Operating Contract, the Corporation may submit any objections related to the audited financial statements of each casino complex. The Corporation objected to the treatment of GST/HST in the December 31, 1997 audited financial statements, which differed from the treatment accorded GST in the audited financial statements for the periods ended December 31, 1995 and 1996. In addition, the Corporation has given notice of its objection to the calculation of the cash available for distribution included in the unaudited financial statements provided by the Operator for the Sheraton Halifax Interim and Sheraton Sydney Casinos for the months of February and March 1998. These audited and unaudited financial statements excluded GST/HST as a defined Operating Expense of each casino complex. As a consequence, the Corporation has prepared its financial statements according to the terms of the Operating Contract, to include GST/HST as a defined Operating Expense in a manner consistent with the financial statement presentation of the Operator's audited financial statements for the year ended December 31, 1995, year ended December 31, 1996 and for the unaudited financial statements for the months January 1997-January 1998 (see Note 13).

vii) Public Education and Problem Gaming Contribution

Metropolitan Entertainment Group and the Nova Scotia Gaming Corporation have agreed to an annual contribution of $1,000,000 to be paid to the Department of Health to provide funds for problem gaming programs and related public education. Contributions have been allocated as an expense between the Sheraton Halifax and Sydney Casino complexes pro rata based upon gaming revenues.

viii) Termination of Operating Contract

The Nova Scotia Gaming Corporation and the Operator have the right to terminate the Operating Contract prior to its expiration in certain circumstances. The Corporation may terminate the Operating Contract if an event of default has occurred and the Operator has not cured the default within a prescribed time period. The provisions of the income guarantee would remain in full force and effect until such time as the full sum of $100 million with respect to defined Total Provincial Revenue has been paid by the Operator to the Nova Scotia Gaming Corporation.

The Operator may terminate the Operating Contract if an Operator termination event as described in the Operating Contract occurs and is not remedied by the Corporation within a prescribed period of time. The Corporation would be required to pay the balance of the Operator's capital investment, the outstanding principal balance of Development Financing, if any, and the net present value of the future payments to the Operator as defined and calculated in the Casino Option Contract.

The Operator may also terminate the Operating contract if aboriginal people establish casinos in Nova Scotia even though the establishment occurs without the consent or sufferance of the Province of Nova Scotia and the Province Scotia derives no revenue. The Corporation would be required to pay the balance of the Operator's capital investment, the outstanding balance of Development Financing, if any, and the Operator's reasonable costs in winding down its operations and withdrawing as Operator.

b) Halifax Interim Casino Construction Contract and Sydney Casino Construction Contract

The Operator was required, pursuant to the Halifax Interim Casino Construction Contract and the Sydney Casino Construction Contract, to develop, finance and construct a temporary casino facility in Halifax and a permanent casino complex in Sydney, which opened June 1, 1995 and August 1, 1995 respectively. All operating and capital assets and related liabilities in respect of each casino complex are not recorded as assets or liabilities of the Corporation.

The Operator's capital investment totalled $24.0 million in Halifax and $23.2 million in Sydney and will be repaid through the payments to Operator as described in Note 3(a)(ii). The Operator's capital investment balances were $1.3 million in Halifax and $17.1 million in Sydney as at March 31, 1998.

c) Halifax Casino Construction Contract

Pursuant to the Halifax Casino Construction Contract, the Operator is required to develop, finance and construct a permanent casino complex with budgeted costs of $97 million plus or minus 12 per cent. Construction of the permanent casino commenced on February 1, 1998, with a scheduled completion date of September 15, 1999.

The Nova Scotia Gaming Corporation was required to approve the casino design development documents, construction budget and a construction schedule, which provides the basis upon which the construction project may proceed. The Operator is required to submit, from time to time, casino working documents to the Corporation together with confirmation that these documents are in compliance with the previously approved casino design development documents. Any material change in any of the casino working documents must be provided to the Nova Scotia Gaming Corporation.

Throughout the construction of the casino, the Operator is required to provide a monthly status report, which includes the status of the construction to date, material changes to casino working documents and status of expenditures relative to the construction budget.

Within six months following the opening of the Halifax Permanent Casino, the Operator is required to submit to the Nova Scotia Gaming Corporation for approval a detailed summary of the total amount expended for completion of the casino. This submission would include the following costs:

- land
- construction
- furniture, fixtures and equipment
- interest
- architecture and design
- pre-opening costs

Within 30 days of the submission, the Nova Scotia Gaming Corporation may approve or give notice to Operator of its non-approval. Upon approval the Nova Scotia Gaming Corporation, such costs shall be deemed to be Approved Development Costs of the casino, which the Operator may finance internally or through third party lenders. The Operator will be entitled to payments from casino revenues equal to the Approved Development Costs amortized straight-line over a seven-year term.

d) Casino Option Contract

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase each of the Halifax and Sydney casino complexes, including operating and capital assets, and working capital totalling $2.6 million for the price of $1.00. The Corporation also has an option to purchase each of the two casino complexes in year 10 or year 15 of the Contract. This early purchase option requires the Corporation to pay out the balance of the Operator's capital investment, the outstanding principal balance of development financing, if any, and the net present value of payments to the Operator for the balance of the term of the Operating Contract.

4. Atlantic Lottery Corporation Inc.

(a) The Nova Scotia Gaming Corporation appointed the Atlantic Lottery Corporation Inc. its exclusive agent to conduct lottery ticket and video lottery in Nova Scotia. Each of the Nova Scotia Gaming Corporation, Newfoundland, New Brunswick and Prince Edward Island own 25 per cent of the Atlantic Lottery Corporation Inc. The Atlantic Lottery Corporation Inc. distributes its profits to the Nova Scotia Gaming Corporation, Newfoundland, New Brunswick and Prince Edward Island based on profit distribution formula, which was approved in 1991. The profit distribution formula is currently being renegotiated by the four shareholders of Atlantic Lottery Corporation Inc.

(b) **Regular Lottery Profit Distribution**

The profit distributed by the Atlantic Lottery Corporation to the Nova Scotia Gaming Corporation is based upon the Corporation's percentage of net sales of regular lottery products. Regular lottery retailers receive a commission of 5% of sales of regular lottery products. A special 3% bonus is also paid to regular lottery retailers on the first $400,000 of annual sales of regular lottery products, excluding Celebration and Breakopen games.

The Nova Scotia Gaming Corporation assists certain charities by offering them a commission of 18.3% as opposed to the usual 12.5% commission on all Breakopen lottery tickets sold. The Breakopen charity profit distribution comprises total sales of Breakopen lottery tickets net of prizes less commissions and other direct costs.

(c) **Video Lottery Profit Distribution**

The profit distributed by the Atlantic Lottery Corporation Inc. to the Nova Scotia Gaming Corporation is based upon total net video lottery revenue less direct operating expenses. There are certain Atlantic Lottery Corporation Inc.'s corporate operating expenses attributable to the video lottery program which have not been allocated and are currently being renegotiated by the four shareholders.

Video lottery retailers receive a commission of 30% of net video lottery sales. From this commission, video lottery retailers are required to pay applicable taxes and a 1% contribution to the Nova Scotia Gaming Corporation.

(d) **Special Payments**

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	1998	**1997**
The Department of Education and Culture (on Behalf of the Cultural Federations of Nova Scotia) . . . . $	50,000 $	50,000
The Department of Agriculture and Marketing (on Behalf of the Exhibition Association of Nova Scotia)	50,000	50,000
The Sport and Recreation Commission (on Behalf of Sport Nova Scotia)	100,000	100,000
$	200,000 $	200,000

Bonus Commissions totalling $33,472 ($48,009-1997) were paid directly during the year by the Nova Scotia Gaming Corporation to various non-profit community organizations. The Corporation pays a 10% commission on sales of A-Plus tickets by eligible vendors. Such amounts must be used for cultural, sport, recreation and exhibition purposes.

e) Approvals

The Board of the Atlantic Lottery Corporation Inc. is required to approve, annually, Atlantic Lottery Corporation Inc.'s business plan, including the annual operating budget, the annual capital budget and the annual audited financial statements.

Schedule I and Schedule II have been prepared based upon the Nova Scotia Gaming Corporation's profit distribution recorded in the audited financial statements of the Atlantic Lottery Corporation Inc. for the year ended March 31, 1998.

5. Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the Canada Business Corporations Act. The primary purpose of the Corporation is to operate nation-wide lottery games (Lotto 6/49, Super 7, Special Event-Celebration). The Atlantic Lottery Corporation Inc. is appointed a regional marketing organization. The Nova Scotia Gaming Corporation holds 1 of 10 shares of this Corporation, and appoints 1 of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation. The shareholders' agreement provides that votes are cast by region, and the Nova Scotia Gaming Corporation votes as a part of the Atlantic Canada region. There are five regions, each of which has a weighted vote.

The Board of the Interprovincial Lottery Corporation is responsible for the management of all corporate affairs; however, the Board has delegated most of its authority to the Executive Committee. The Executive Committee consists of the Chief Executive Officers of the five regional marketing organizations. The regional marketing organizations are responsible for the Interprovincial Lottery Corporation's game ticket distribution and sales, new game designs/changes, marketing and promotions and payment of prizes.

6. Equity in Fixed Assets of Atlantic Lottery Corporation Inc.

In prior years, certain of Atlantic Lottery Corporation Inc.'s fixed assets were financed by reducing the Nova Scotia Gaming corporation's distributed profits by an amount equal to the cost of the fixed assets amortized with imputed interest over the life of such fixed assets. A long-term receivable was recorded to recognize the outstanding cash balance due to the Nova Scotia Gaming Corporation and a corresponding equity interest in the fixed assets of Atlantic Lottery Corporation Inc. was reported. The balance of $808,468 was paid out in June 1997, of which $306,641 had been previously recognized as income by the Province of Nova Scotia.

7. Fixed Assets

	Cost	Accumulated Depreciation	1998 Net Book Value	1997 Net Book Value
Office Furniture and Equipment......	$ 39,418	$ 19,129	$ 20,289	$ 17,397
Computers.....	31,401	10,608	20,793	27,063
	$ 70,819	$ 29,737	$ 41,082	$ 44,460

8. Due to the Province of Nova Scotia

All funds received by the Corporation are immediately transferred to the Province of Nova Scotia's bank account. Funds include casino win tax earned by the Province of Nova Scotia, profit distributions earned by the Nova Scotia Gaming Corporation from the Atlantic Lottery Corporation Inc. and the net operating income from Sheraton Halifax Interim and Sheraton Sydney Casinos, and amounts earned by the Corporation under the income guarantee (Note 2d).

	1998	1997
Due to the Province of Nova Scotia		
Balance, beginning of year...........................	$ 13,943,324	$ 717,086
Net income of the Corporation..........................	127,600,426	119,181,759
CasinoWin Tax Earned by the Province of Nova Scotia		
Sheraton Halifax Interim Casino......................	9,645,258	9,262,572
Sheraton Sydney Casino...........................	5,156,520	4,943,499
Advances from the Province of Nova Scotia..............	5,286,274	3,493,658
Funds transferred to the Province of Nova Scotia............	(145,676,961)	(123,655,250)
Fixed Asset Equity Repayment (Note 6)..................	306,641	—
Balance, end of year..............................	$ 16,261,482	$ 13,943,324

9. Contingencies

The Corporation has accounted for Harmonized Sales Tax (HST) and/or Goods and Services Tax (GST) in accordance with interim arrangements between the Corporation and the Federal Government. These arrangements are anticipated to be confirmed in HST/GST regulations which have not yet been issued. Adjustments, if any, will be accounted for during the year in which the regulations are approved by the Federal Government. The Corporation was subject to HST beginning April 1, 1997.

A former employee has commenced legal action against the Corporation claiming damages for constructive dismissal. The eventual outcome of this action is not determinable at this time.

10. Related Party Transactions

The Province of Nova Scotia and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transaction between these related parties are separately disclosed in the financial statements.

11. Commitments

The Corporation is required to make lease payments over the next five years as follows:

1999	$	49,000
2000	$	48,000
2001	$	48,000
2002	$	37,000

Pursuant to the terms of the Casino Contracts, the Corporation has agreed that the Operator may be entitled to certain future payments as described in Note 3.

12. Year 2000

Both operators, Atlantic Lottery Corporation Inc. and Metropolitan Entertainment Group, are significantly dependent on information technology. Year 2000 plans are under way at both the Atlantic Lottery Corporation Inc. and Metropolitan Entertainment Group. The Corporation will continue to monitor their progress and the related risk assessments.

13. Subsequent Event

In early April 1998, the Operator change its interpretation of the Operating Contract to exclude non-recoverable HST/GST from the calculation of defined Operating Expenses of the Casino Complexes. The Corporation and its legal counsel disagreed with the Operator's interpretation and the matter was referred to an arbitrator, in accordance with the terms of the Operating Contract.

On June 15, 1998, the arbitrator released his decision and affirmed the Nova Scotia Gaming Corporation's interpretation of the Operating contract and the treatment of HST/GST as a defined Operating Expense.

Schedule I

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Atlantic Lottery Corporation Inc.

Regular Lottery

for the year ended March 31, 1998

	Atlantic Lottery Corporation		Nova Scotia Gaming Corporation	
	1998	1997	1998	1997
Sales	$ 482,593,617	$ 451,118,385	$ 180,819,528	$ 171,163,233
Less: Prize Expense	(262,182,660)	(241,103,085)	(95,671,915)	(88,979,249)
Sales Discounts	(181,128)	(163,882)	(63,750)	(40,803)
	(262,363,788)	(241,266,967)	(95,735,665)	(89,020,052)
Net Sales	220,229,829	209,851,418	85,083,863	82,143,181
Direct Costs				
Sales Commission	32,655,775	30,498,202	10,738,585	10,182,089
Winning Ticket Cashing Fee	2,266,475	1,993,939	875,633	780,498
Ticket Costs	11,397,280	10,550,789	4,403,241	4,129,947
Total Direct Costs	46,319,530	43,042,930	16,017,459	15,092,534
Gross Profit	173,910,299	166,808,488	69,066,404	67,050,647
Corporate Operating Costs	55,977,611	52,299,448	23,504,147	22,227,806
Net Lottery Profit	$ 117,932,688	$ 114,509,040	$ 45,562,257	$ 44,822,841
Profit Distribution Percent			38.6%	39.1%
Sales Commission (Note 4(b))			4,173,017	3,936,013
Harmonized Sales Tax			3,145,221	---
Sundry			19,303	---
			7,337,541	3,936,013
Regular Lottery Profit Distribution			38,224,716	40,886,828
Breakopen Charities (Note 4(b))			191,553	192,330
Fixed Asset Equity Repayment (Note 6)			501,827	---
Other			693,380	192,330
Profit Distribution (Note 4(b))			$ 38,918,096	$ 41,079,158

Schedule II

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Atlantic Lottery Corporation Inc.

Video Lottery

for the year ended March 31, 1998

	1998	1997
REVENUE		
Net video lottery receipts	$ 119,990,409	$ 106,006,636
Administration	1,005,092	594,742
Net Video Lottery Revenue	120,995,501	106,601,378
EXPENSES		
Retailer commission	31,335,691	29,713,812
Ticket costs	171,615	161,126
Operating expenses	9,137,183	7,884,704
Total Expenses	40,644,489	37,759,642
Profit Distribution (Note 4c)	$ 80,351,012	$ 68,841,736

Schedule III

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Sheraton Halifax Interim Casino

Operating Results

for the year ended March 31, 1998

	1998	1997
Casino revenue	$ 48,226,292	$ 46,313,119
Win tax	(9,645,258)	(9,262,572)
Casino revenue after win tax	38,581,034	37,050,547
Beverage, food and other revenue	1,167,390	1,285,645
Total net revenues	39,748,424	38,336,192
Operating Expenses		
Salaries and benefits	12,149,299	11,847,251
Other expenses including cost of beverages and food	968,198	973,076
Public education and problem gaming contribution (Note 3(a)(vii))	651,463	654,515
General administration and marketing	5,018,806	5,774,235
Premise expense	1,071,905	1,915,054
Harmonized Sales/Goods and Services Tax	5,366,431	2,937,322
	25,226,102	24,101,453
Income before payments to operator	14,522,322	14,234,739
Payments to Operator (Note 3(a)(ii))		
Amortization of capital investment and interest	8,602,008	10,176,619
Capital replacement reserve	740,905	713,991
Operator fee	1,812,792	1,170,445
	11,155,705	12,061,055
Net Operating Income (Note 3(a)((iii))	$ 3,366,617	$ 2,173,684

Schedule IV

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Sheraton Sydney Casino

Operating Results

for the year ended March 31, 1998

	1998	1997
Casino revenue	$ 25,782,596	$ 24,717,496
Win tax	(5,156,520)	(4,943,499)
Casino revenue after win tax	20,626,076	19,773,997
Beverage, food and other revenue	1,690,169	1,887,350
Total net revenues	22,316,245	21,661,347
Operating Expenses		
Salaries and benefits	7,344,836	7,422,207
Other expenses including cost of beverage and food	1,219,154	1,272,736
Public education and problem gaming contribution (Note 3(a)(vii))	348,537	345,485
General administration and marketing	2,458,716	2,165,981
Premise expense	732,623	474,580
Harmonized Sales/Goods and Services Tax	2,581,217	1,397,022
	14,685,083	13,078,011
Income before payments to operator	7,631,162	8,583,336
Payments to Operator (Note 3(a)(ii))		
Amortization of capital investment and interest	4,410,834	6,391,545
Capital replacement reserve	412,093	399,073
Base fee	824,182	798,145
Incentive fee	753,961	826,133
	6,401,070	8,414,896
Net Operating Income (Note (3(a)(iii))	$ 1,230,092	$ 168,440

Schedule V

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Expenses

for the year ended March 31, 1998

	1998	1997
Advertising	$ 3,920	$ 2,004
Depreciation	12,599	11,956
Harmonized sales tax (Note 9)	88,017	—
Meetings	2,898	3,000
Membership dues	3,000	1,863
Occupancy taxes	2,129	1,695
Office and Miscellaneous	7,880	6,570
Office Equipment	8,821	13,471
Periodicals	11,572	10,274
Postage and freight	3,363	4,129
Printing and stationery	15,941	6,311
Professional and other fees	517,200	293,625
Rent	38,228	24,312
Salaries and benefits	383,611	430,543
Telecommunications	14,337	10,042
Training	3,214	5,747
Travel	56,733	41,499
	$ 1,173,463	$ 867,041

AUDITOR'S REPORT

To The Minister of Finance; and
To The Board of the Nova Scotia Gaming Foundation

I have audited the balance sheet of the Nova Scotia Gaming Foundation (formerly to March 11, 1998 - the VLT Problem Gaming Fund) as at March 31, 1998 and the statement of revenue, expense and surplus for the year then ended. These financial statements are the responsibility of the foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the foundation as at March 31, 1998 and its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 15, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING FOUNDATION

Balance Sheet

as at March 31, 1998

ASSETS

		1998		1997 (Note 3)
Cash and Term Deposit	$	1,976,264	$	1,217,835
Due from Nova Scotia Gaming Corporation		57,955		53,572
	$	2,034,219	$	1,271,407

LIABILITIES

Accounts Payable		2,683		---

EQUITY

Surplus		2,031,536		1,271,407
	$	2,034,219	$	1,271,407

Commitments (Notes 5)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING FOUNDATION

Statement of Revenue, Expenses and Surplus

for the year ended March 31, 1998

	1998 (Note 3)	1997 (Note 3)
Revenue		
Contributions		
Nova Scotia Gaming Corporation	$ 359,970	$ 318,014
Video Lottery Terminal Siteholders	359,970	318,014
Interest	49,869	28,117
	769,809	664,145
Expenses		
Office	45	---
Professional	5,982	---
Administrative Fees (Note 4)	3,653	---
	9,680	---
Excess of Revenue over Expenses	760,129	664,145
Surplus, beginning of year	1,271,407	607,262
Surplus, end of year	$ 2,031,536	$ 1,271,407

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING FOUNDATION

Notes to the Financial Statements

for the year ended March 31, 1998

1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The purpose of the Foundation is to receive, maintain and disburse funds in furtherance of the purposes set out in the Gaming Control Act, including for research or education in respect of gambling, or treatment and remediation of the effects of gambling.

On March 11, 1998, $1,969,334 was transferred to the Foundation from the VLT Problem Gaming Fund. This Fund had been created in April 1995 following agreement between the Lounge and Beverage Room Association of Nova Scotia and the Nova Scotia Gaming Corporation, whereby the Association agreed that its members would contribute to the VLT Problem Gaming Fund provided the number of VLT's and the commission rate would not be reduced for three years. The members of the Association and all other VLT siteholders also agreed, under the terms of their siteholder agreements with Atlantic Lottery Corporation Inc., that they would contribute 1% of their VLT commission to the VLT Problem Gaming Fund. The Nova Scotia Gaming Corporation agreed to contribute from its VLT revenues from Atlantic Lottery Corporation Inc. an amount equal to all contributions made by the VLT Siteholders.

2. Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles. A statement of changes in financial position is not provided as disclosure in the balance sheet and the statement of revenue, expenses and surplus is considered adequate.

Term Deposits

Term Deposits are valued at original cost plus accrued interest.

3. Comparatives

Comparatives for the year ended March 31, 1997, and transactions which occurred prior to March 11, 1998, are included in the financial statements for informational purposes.

4. Administrative Fees

The Foundation has entered into an agreement with the Nova Scotia Gaming Corporation to provide professional and administrative services on a cost recovery basis.

5. Commitments

On March 31, 1998, the Board of directors of the Nova Scotia Gaming Foundation conditionally approved an application of the Compulsive and Problem Gamblers Society for funding in the maximum amount of $275,250, subject to certain requirements and the execution of a formal funding contract. Subsequent to year end, the Foundation approved Phase I funding totalling $30,000. A payment of $10,000 was made on May 29, 1998.

Subsequent to year end, conditional approval was also given to Dalhousie University for Phase I of a VLT Harm Reduction Study in the amount of $89,000.

AUDITOR'S REPORT

To the Chairman and Members of the Board of Management of the Nova Scotia Hospital

I have audited the balance sheets of the Nova Scotia Hospital and the Provincial Drug Distribution Program as at March 31, 1998, and the statements of shareable revenues and expenses, ancillary operations, non-shareable surplus, and retained surplus for the year then ended. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Hospital and the Provincial Drug Distribution Program as at March 31, 1998 and the results of their operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 8, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Balance Sheet

Hospital Operations

as at March 31, 1998

ASSETS

	1998	1997
Current Assets		
Cash	$ 4,655,080	$ 1,120,650
Accounts receivable (Note 4)	2,886,603	1,592,559
Inventory	108,076	123,260
Prepaid expenses	320,000	186,267
	7,969,759	3,022,736
Due from IWK - Grace Health Centre (Note 5)	334,323	344,032
Estimated Year-end Adjustments Due from Department of Health (Note 6)	84,059	181,137
	8,388,141	3,547,905
Restricted Funds (Note 7)	131,218	191,855
	$ 8,519,359	$ 3,739,760

LIABILITIES AND EQUITY

	1998	1997
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,713,047	$ 1,136,159
Deferred revenue (Note 8)	1,056,895	1,104,950
	3,769,942	2,241,109
Due to Provincial Drug Distribution Program	2,747,197	---
Due to Department of Finance (Note 9)	1,016,855	665,206
Due to (from) Central Laundry Partners (Note 10)	67,496	11,741
Equity		
Non-shareable (deficit) surplus	220,456	(12,853)
Retained surplus (Note 11)	566,195	642,702
	8,388,141	3,547,905
Restricted Funds (Note 7)	131,218	191,855
	$ 8,519,359	$ 3,739,760

Commitments (Note 12)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Balance Sheet

Provincial Drug Distribution Program

as at March 31, 1998

ASSETS

	1998	1997
Current Assets		
Cash	$ 197,589	$ ---
Accounts receivable (Note 4)	5,404,699	4,199,460
Inventory	2,811,640	2,967,338
	8,413,928	7,166,798
Due from Nova Scotia Hospital	2,747,197	---
Estimated Year-end Adjustments Due from Department of Health (Note 6)	11,909	(496)
	$ 11,173,034	$ 7,166,302

LIABILITIES AND EQUITY

	1998	1997
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,563,181	$ 2,489,226
Deferred revenue (Note 8)	269,200	11,600
	3,832,381	2,500,826
Due to Department of Finance (Note 9)	7,340,653	4,665,476
	$ 11,173,034	$ 7,166,302

Commitments (Note 12)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Shareable Revenues and Expenses

Hospital Operations

for the year ended March 31, 1998

	1998	1997
Revenue		
Department of Health	$ 26,699,200	$ 26,528,400
Non-insured services	128,672	40,011
	26,827,872	26,568,411
Other		
Medical Services Insurance	4,291,699	3,907,572
Nutrition Services	481,395	512,105
Rentals	479,495	327,851
Services to other Institutions	535,439	392,656
Sundry	141,113	166,314
	5,929,141	5,306,498
	32,757,013	31,874,909
Operating Expenses		
Executive Director	436,595	346,318
Regional Consumer Services	6,890,168	6,463,443
Provincial Consumer Services	6,245,214	5,741,961
Forensic Services	3,366,691	2,681,107
Professional Services	5,000,368	4,606,328
Corporate and Support Services	9,903,884	10,073,297
Educational and Planning	811,654	1,122,575
Public Relations and Communications	302,848	249,098
Provincial Clozapine Program	682,512	559,592
	33,639,934	31,843,719
Surplus (Deficit) before advances	(882,921)	31,190
Special Advances from Department of Health		
Forensic Services	473,400	---
Provincial Clozapine Program	195,000	---
Wage Settlement Advance	291,000	---
	959,400	---
Surplus (Notes 6 and 11)	$ 76,479	$ 31,190

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Ancillary Operations

Provincial Drug Distribution Program

for the year ended March 31, 1998

	1998	1997
Shareable Revenues		
Gross Profit on Drug Sales		
Drug sales	$ 33,080,009	$ 20,720,754
Cost of sales	32,946,599	20,559,801
	133,410	160,953
Other Revenue		
Department of Health grant	277,800	268,800
Other	121,991	98,525
	399,791	367,325
	533,201	528,278
Shareable Expenses		
Salaries	410,286	320,068
Employee benefits	63,772	52,844
Freight	100,233	69,174
Other expenses	14,711	42,300
	589,002	484,386
Surplus (Deficit) (Note 3 and 6)	$ (55,801)	$ 43,892

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Ancillary Operations

Central Laundry

for the year ended March 31, 1998

	1998	1997
Shareable Revenue		
Sales of clean laundry	$ 2,037,497	$ 1,740,135
Miscellaneous	9,886	16,814
	2,047,383	1,756,949
Shareable Expenses		
Salaries	796,205	719,695
Employee benefits	102,202	99,935
Linen replacement	—	32,000
Motor vehicle repairs and operations	79,793	83,074
Water	31,854	25,331
Electricity	45,503	40,309
Steam	195,668	90,486
Administrative assessment	693,128	639,103
Rent	9,996	9,996
Interest	8,004	4,062
Other expenses	20,145	1,217
	1,982,498	1,745,208
Surplus (Note 10)	$ 64,885	$ 11,741

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Non-Shareable Surplus

for the year ended March 31, 1998

		1998	1997
Balance, beginning of year		$ (12,853)	$ 3,222
Add:	Interest revenue	258,395	—
	Transfer from Foundation	45,348	32,068
	Other non-shareable revenues	34,276	13,621
		338,019	45,689
Less:	Decision support system (Note 12)	93,946	—
	Other non-shareable expenses	10,764	61,764
		104,710	61,764
Balance, end of year (Note 11)		$ 220,456	$ (12,853)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Retained Surplus

for the year ended March 31, 1998

		1998	1997
Balance, beginning of year	$	642,702	$ 412,196
Add: Adjustment to prior years' surplus retention calculations		343,146	230,506
		985,848	642,702
Less: Forensic Renovations		419,653	---
Balance, end of year (Note 11)	$	566,195	$ 642,702

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Notes to Financial Statements

March 31, 1998

1. Authority

An Act to incorporate the Nova Scotia Hospital was proclaimed in 1967 to provide for the continuance of the Hospital.

The Nova Scotia Hospital is dedicated to the provision of exemplary psychiatric health care through the integration of service, education and research programs in the mental health field.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following:

Fixed Assets

These financial statements do not include the costs associated with construction and renovation projects of the Nova Scotia Hospital carried out by the Department of Transportation and Public Works.

These financial statements do not include the costs of the land and buildings of the Hospital. Title for those assets rests with the Province of Nova Scotia.

Equipment purchases are expensed in the year of acquisition.

Operating Costs

These financial statements do not include certain Hospital expenses which are absorbed by the Department of Transportation and Public Works.

Final Settlements

Adjustments to prior years' operating results arising from the final settlement process of the Department of Health are reflected in equity in the year they are determined.

Inventory

Inventory is valued at average cost.

3. Provincial Drug Distribution Program - Subsequent Event

For many years the Nova Scotia Hospital has operated the Provincial Drug Distribution Program (PDDP). Since 1994-95 the operating results of PDDP have been separated from the Hospital Operations in the Statement of Ancillary Operations - Provincial Drug Distribution Program. A separate Balance Sheet has been presented for PDDP as at March 31, 1998. The March 31, 1997 balances have been reclassified to reflect this change in presentation.

On March 31, 1998 the Hospital entered into a agreement effective April 1, 1998, with the Province and the Regional Health Boards (RHBs) and non-designated organizations (NDOs) which gives the Minister of Health and a board of managers responsibility for the PDDP. The Hospital will administer the PDDP on behalf of the Minister and provide operational, materiel management and technology services for the effective delivery of the program. The RHBs and NDOs have agreed to purchase all of their drug requirements through the PDDP.

4. Accounts Receivable

	1998	1997
Hospital		
Customer Receivables	$ 1,153,492	$ 542,546
Less: Allowance for Doubtful Accounts	7,067	271,273
	1,146,425	271,273
HST Credits	475,532	2,356
Nova Scotia Hospital Foundation	25,663	309
Accrued Recoveries	1,238,983	1,318,621
	$ 2,886,603	$ 1,592,559
Provincial Drug Distribution Program		
Customer Receivables	$ 5,243,827	$ 4,078,040
Out Dated Drugs Receivable	160,872	121,420
	$ 5,404,699	$ 4,199,460

5. Trifacilities Program

On June 30, 1994, the Nova Scotia Hospital entered into an agreement with the Izaak Walton Killiam - Grace Health Centre for Children, Women and Families (IWK - GHC) and the Atlantic Child Guidance Centre to establish the Trifacilities program. The purpose of the program is to provide mental health care, research and education for children and adolescents.

In 1998, costs of $1,384,176 (1997 - $2,043,561) incurred by the Nova Scotia Hospital in providing child mental health services were recovered from the IWK - GHC and are not included on the Statement of Shareable Revenues and Expenses.

6. Estimated Year-end Adjustments Due from Department of Health

This account represents the net amount due from the Department of Health at the end of the fiscal year. Recovery and payment of the annual surplus/deficit is dependent upon the approval by the Department of Health of the Hospital's final settlement claim. The amounts relating to 1996-97 have been approved in principle by the Department of Health.

	1998	1997
Hospital Operations, Deficit (Surplus)		
1993-94 to 1995-96 settled during the year	$ —	$ 212,327
1996-97	160,538	(31,190)
1997-98	(76,479)	—
	$ 84,059	$ 181,137
Provincial Drug Distribution Program, Deficit (Surplus)		
1994-95 to 1995-96 settled during the year	$ —	$ 43,396
1996-97	(43,892)	(43,892)
1997-98	55,801	—
	$ 11,909	$ (496)

7. Restricted Funds

These funds include monies designated for restricted purposes by the Hospital and monies held in trust for patients. These funds have been segregated from normal operating assets with a corresponding liability account established for the fulfilment of the restricted purposes and balances held for the patients.

8. Deferred Revenue

This amount represents an advance payment to the Hospital from the Department of Health for funding for the 1998-99 fiscal year.

9. Due to Department of Finance

In prior years, the Department of Finance processed and recorded the receipts and disbursements of the Nova Scotia Hospital. The cumulative difference between receipts and disbursements was recognized as a liability to the Department of Finance at year end. As of April 1, 1997 the Hospital began to process and record its own receipts and disbursements. Repayment terms for this liability are not specified.

10. Central Laundry Operations

In July 1994, the Hospital contracted with a private sector firm for management of the Hospital's central laundry operation. The intent is for the laundry operation to be self-financing with any surplus/deficit to be shared by the partner hospitals. The Board of Directors - Central Laundry and Linen Services has determined that the operating surplus of $64,885 for 1997-98 will be redistributed to the laundry operations or used to purchase equipment.

11. Retained Surplus - Subsequent Event

In May 1987 the Department of Health issued a policy statement permitting hospitals to retain part or all of the unspent portions of their budget at the end of each fiscal year. The purpose is to encourage hospitals to operate as efficiently as possible. This policy limits the annual retained surplus to $500,000, and requires approval by the Department of any expenditures charged against it.

In June 1998, the Department of Health notified the Hospital that, effective April 1, 1998, all activities under the control of the Hospital are to be consolidated with no distinction between shareable and non-shareable activities. There will be no limit on the amount of surplus to be maintained by the Hospital. Effective April 1, 1998 Department of Health approval is no longer required for expenditures from existing Retained Surplus.

12. Commitments

The Hospital is liable at March 31, 1998 for vacation pay earned by its employees but not yet paid. Vacation pay is funded in the year of payment by the Department of Health to the extent that it forms part of the Hospital's overall net cost of shareable operations. The amount of the liability at March 31, 1998 is estimated to be $200,766 (1997 - $187,625), and is not reflected in these financial statement.

During 1997-98 the hospital purchased a decision support system (Trendstar). This system was partially implemented during the fiscal year with the balance ($105,407) to be completed in 1998-99 and funded from non-shareable surplus at that time.

13. Due to Provincial Drug Distribution Program (Due from Nova Scotia Hospital)

The Nova Scotia Hospital and the Provincial Drug Distribution Program are related parties as described in Note 3. The Hospital purchases all of its drugs from PDDP under the same terms and conditions as other PDDP customers. Transactions are recorded at the exchange amount. The total amount of drugs purchased by the Hospital from the PDDP during the year was $1,181,465. Details of any balances owing to/from these related parties are separately disclosed in the financial statements.

14. Costs Paid by the Province of Nova Scotia

In 1998 the Province paid $538,454 (1997 - $372,990) for expenditures of the Hospital. This comprised $140,020 (1997 - $83,253) for maintenance expenditures and $398,434 (1997 - $289,737) related to capital expenditures.

15. Public Service Superannuation Fund

All full-time employees of the Nova Scotia Hospital are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Hospital's operating expenses.

The Public Service Superannuation Fund is administered by the Department of Finance. The Hospital is not responsible for any unfunded liability.

16. Comparative Figures

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

17. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Hospital's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 Issue affecting the Hospital, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 1998 and consolidated statements of income and retained earnings, and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 19, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Current		
Cash and short-term investments	$ 892,933	$ 432,855
Accounts receivable (Note 4)	2,209,178	1,802,420
Inventory	231,971	166,285
	3,334,082	2,401,560
Investment and Funds		
Nova Scotia FIRST Fund (Note 5)	11,960,235	11,525,300
Nova Scotia Information Highway (Note 6)	676,065	2,000,000
Research Endowment Fund (Note 7)	1,000,000	1,000,000
Other Investments (Note 8)	680,204	628,649
	14,316,504	15,153,949
Capital Assets, net (Note 10)	8,060,663	8,340,181
	$ 25,711,249	$ 25,895,690

See accompanying notes to the financial statements

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Balance Sheet

as at March 31, 1998

LIABILITIES AND EQUITY

	1998	1997
Current		
Accounts payable . . . . $	869,927 $	1,118,068
Due to Province of Nova Scotia.	2,003,848	644,158
Deferred revenue	---	196,133
Current portion of Early Retirement Incentive Plans (Note 9).	12,299	41,942
	2,886,074	2,000,301
Nova Scotia Information Highway (Note 6)		
Claim payable.	540,326	356,614
Fund Balance.	135,739	1,643,386
	676,065	2,000,000
Long-Term		
Early Retirement Incentive Plans (Note 9).	1,502,497	1,511,471
Deferred Government Assistance	1,195,595	943,531
Equity		
Contributed surplus - Nova Scotia FIRST Fund (Note 5). . . .	11,110,791	11,110,791
Contributed surplus - Nova Scotia Research Foundation Corporation (Note 2).	7,832,430	7,832,430
Contributed surplus - Applied Microelectronics Incorporated (Note 8).	490,000	490,000
	19,433,221	19,433,221
Retained earnings (deficit)		
Restricted for Nova Scotia FIRST Fund (Note 5)	849,444	414,509
Unrestricted.	(831,647)	(407,343)
	17,797	7,166
	19,451,018	19,440,387
	$ 25,711,249 $	25,895,690

Loan Guarantees (Note 12)

Share Capital (Note 11)

Commitments (Note 5)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Income

and Retained Earnings

for the year ended March 31, 1998

	1998	1997
Revenues, Recoveries and Grants (Note 13)		
Government Grants	$ 3,593,207	$ 3,766,441
Commercialization and Industry Development	1,608,127	2,046,312
Engineering Services	1,832,197	1,153,905
Scientific Services	619,610	572,222
Business Development	811,282	550,003
Technology Innovation Center	354,252	272,484
Administrative recoveries and ancillary operations	476,623	336,223
	9,295,298	8,697,590
Expenses		
Commercialization and Industry Development	1,910,266	2,321,499
Engineering Services	2,023,755	1,777,541
Administration and occupancy	1,554,723	1,524,401
Scientific Services	618,035	613,851
Business Development	985,878	635,243
Technology Innovation Center	494,134	433,232
Corporate Office	1,029,470	991,642
Corporate Affairs	303,347	270,110
	8,919,608	8,567,519
Income before amortization, investment income, early retirement incentive plan expense and Nova Scotia FIRST Fund income	375,690	130,071
Amortization	(776,824)	(837,800)
Investment income, royalties and gain on sale of shares	102,574	430,867
Early retirement incentive plan expense	(125,744)	(129,771)
	(799,994)	(536,704)
Loss before Nova Scotia FIRST Fund income	(424,304)	(406,633)
Nova Scotia FIRST Fund income	434,935	414,509
Net Income	10,631	7,876
Retained Earnings (deficit), beginning of year	7,166	(710)
Retained Earnings, end of year	$ 17,797	$ 7,166

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Changes in Financial Position

for the year ended March 31, 1998

	1998	1997
Cash From (Used In) Operations		
Net income	$ 10,631	$ 7,876
Add (deduct):		
Amortization	776,824	837,800
Recognition of deferred government assistance	(182,696)	(115,242)
Nova Scotia FIRST Fund investment income (Note 5)	(434,935)	(414,509)
Gain on sale of shares	---	(116,281)
Equity in the loss of investee (Note 8)	8,023	14,204
Working capital adjustments	442,972	(398,047)
	620,819	(184,199)
Cash From (Used In) Investing Activities		
Nova Scotia FIRST Fund portfolio investments	2,245,000	(10,788,443)
Nova Scotia FIRST Fund equity investments (Note 5)	(2,245,000)	(600,000)
Nova Scotia Information Highway Fund	1,323,935	(2,000,000)
Research Endowment Fund (Note 7)	---	(1,000,000)
Acquisition of shares (Note 8)	---	(668,000)
Proceeds on disposition of shares	---	294,281
Other investments	(59,578)	(263,852)
Nova Scotia Research Foundation Corporation land, buildings and equipment	---	(7,924,399)
Capital asset purchases (Note 13)	(497,321)	(957,946)
	767,036	(23,908,359)
Cash From (Used In) Financing Activities		
Contributed surplus	---	19,433,221
Assumption of Nova Scotia Research Foundation Corporation early retirement incentive liability	---	1,605,392
Assumption of Nova Scotia FIRST Fund liabilities	---	717,500
Advance from the Province of Nova Scotia for the Nova Scotia Information Highway	(1,323,935)	2,000,000
Deferred government Assistance	434,760	874,288
Nova Scotia FIRST Fund disbursements	---	(440,000)
Early retirement incentive plan principal repayments	(38,602)	(51,979)
	(927,777)	24,138,422
Net Change in Cash Position	$ 460,078	$ 45,864
Ending Cash Balance	$ 892,933	$ 432,855
Beginning Cash Balance	432,855	386,991
Net Change in Cash Position	$ 460,078	$ 45,864

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 1998

1. Authority

The Nova Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world.

2. Dissolution of Nova Scotia Research Foundation Corporation

Effective April 1, 1996 Nova Scotia Research Foundation Corporation (NSRFC) was dissolved and its enabling legislation revoked. All the rights, title, interest and obligations of NSRFC were transferred to InNOVAcorp on that date. These assets and obligations were recorded by InNOVAcorp at their fair market value as of the date of transfer. The excess of assets received over liabilities assumed was recorded as contributed surplus.

3. Accounting Policies

InNOVAcorp's financial statements have been prepared in accordance with generally accepted accounting principles, the most significant of which are as follows:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of InNOVAcorp and its wholly-owned subsidiary, Nova Magnetics Limited (NML). NML was transferred to InNOVAcorp on April 1, 1996 through the dissolution of the NSRFC.

(b) Cash and Short-term Investments

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair market value because they have maturities at the date of purchase of less than ninety days. Portfolio investments of the Nova Scotia FIRST Fund are accorded the same treatment.

(c) Inventory

Inventory is valued at the lower of cost or net realizable value.

(d) Long-Term Investments

Venture capital investments made through the Nova Scotia FIRST Fund and investments in companies over which InNOVAcorp does not have significant influence are carried at cost. InNOVAcorp's 50% investment in PlantSelect Biotechnology Systems Limited is accounted for using the equity method. Where there has been other than a temporary decline in value, these investments are written down to provide for the loss. Fixed income investments of the Nova Scotia FIRST Fund with terms to maturity greater than ninety days are recorded at cost plus accrued interest.

(e) Capital Assets

Property, plant and equipment purchased or constructed by InNOVAcorp is stated at cost. Property, plant and equipment acquired by donation is stated at fair market value. Amortization of management information systems and the technology license are calculated on the straight-line basis over their economic lives of 10 years and 35.5 months respectively. Amortization of the other capital assets is based on the declining balance method over the estimated economic life of the related class of assets as follows:

Buildings	4%
Computer equipment	30%
Equipment, furniture and fixtures	20%
Improvements to non-owned buildings	100%

(f) Donated Assets

The donation of assets to InNOVAcorp is considered a capital contribution. The assets are recorded at their market value with an offsetting increase to a contributed surplus account identifying the source of the donation. These assets are charged to income over their estimated economic life.

(g) Government Grants and Deferred Government Assistance

The portion of any government grants used for the acquisition of property, plant and equipment is recorded as deferred government assistance and recognized as income on the same basis as the related assets are amortized. The remainder of these grants is recognized as income in the year they are received.

4. Accounts Receivable

During 1997-98, the Board of Directors of InNOVAcorp approved the write-off of $0 (1997 - $33,208) in accounts receivable.

5. Nova Scotia FIRST Fund

In 1989 the Nova Scotia FIRST Fund (NSFF) was established by Governor in Council. The objective of the fund is to encourage the development of high technology industries and to encourage the adoption of new technologies by existing industries.

During 1996-97 InNOVAcorp assumed management of the NSFF, pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to InNOVAcorp during the year. Fund activity during the current year is summarized below:

	Portfolio Investments	Fund Investments	Fund Obligations	Valuation Adjustment	Fund Balance
Beginning Balance . . . . $	11,202,800 $	3,465,000 $	277,500 $	2,865,000 $	11,525,300
Add (Deduct):					
Investment Income	369,695	72,842	—	7,602	434,935
Equity investments	(2,245,000)	2,245,000	—	—	—
Royalty buy-back(1)	10,000	(10,000)	—	—	—
Ending Balance . . . . $	9,337,495 $	5,772,842 $	277,500 $	2,872,602 $	11,960,235

(1) InNOVAcorp entered into an agreement to sell its interest in one of its investments to the company's other shareholders. Payment for InNOVAcorp's shares will be made in royalties based on the company's sales and the sales of a related company. Payments received are being applied first to eliminate the investment and then to income recognition.

InNOVAcorp is entitled to recover direct expenses associated with its administration of the NSFF. To date it has elected not to charge the Fund for any of the costs incurred. These costs were charged to the Commercialization and Industry Development division of the Corporation.

In addition to the above investments and obligations, as at March 31, 1998 there were $945,000 of approved commitments for the NSFF (1997 - $1,400,000).

On December 5, 1997 InNOVAcorp signed a Memorandum of Understanding for Royal Bank Capital Corporation (RBCC) and the NSFF to co-invest $3 million (on a two-thirds/one third basis) in early stage, high growth Nova Scotian companies in the life sciences and advanced materials sectors. The agreement is for a two-year term, extendible by mutual consent.

6. Nova Scotia Information Highway

The Province of Nova has entered into an agreement to accelerate the development of the information highway in Nova Scotia through the establishment of a research center in Nova Scotia. The agreement provides for up to $10 million in support of this development of which $2 million is non-repayable. May 1, 1996 the Province advanced $2 million to InNOVAcorp to maintain in a segregated account to provide for the non-repayable portion of the agreement. At March 31, 1998 $1,864,261 (1997 - $356,614) had been claimed towards establishing this research centre.

7. Research Endowment Fund

The Research Endowment Fund was transferred to InNOVAcorp when the Nova Scotia Research Foundation Corporation as dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by InNOVAcorp. The Fund can be used for purposes consistent with the objects of InNOVAcorp.

8. Other Investments

	1998	1997
Investment in Applied Microelectronics Incorporated-see (a)	$ 490,000	$ 490,000
Advances to the Advanced Materials Engineering Center	141,638	82,060
Investment in common shares of British Columbia Research Incorporated	41,042	41,042
Investment in PlantSelect Biotechnology Systems Limited-see (b)	7,524	15,547
	$ 680,204	$ 628,649

(a) InNOVAcorp entered into an agreement with the Applied Microelectronics Incorporated (AMI) to facilitate the privatization of that entity. On August 30, 1996, all of the resources and obligations of AMI were transferred to InNOVAcorp. They were recorded at their fair market value of $490,000 with an offsetting amount recognized as contributed surplus. On the same date, net assets of AMI were transferred by InNOVAcorp to a newly-formed private company, Applied Microelectronics Incorporated, in exchange for 490,000 of 3%, non-cumulative preferred shares.

(b) This amount represents the net book value of the investment after a write down of $8,023 (1997 - $14,204) to recognize 50% of the net loss of PlantSelect Biotechnology Systems Limited operations as of March 31, 1998.

9. Early Retirement Incentive plans

In February 1991 and November 1993, the Province of Nova Scotia announced its intention to implement Early Retirement Incentive Plans. As an outside agency, the Nova Scotia Research Foundation Corporation was invited to participate providing it agreed to pay the Province all costs of the Plans not covered by the Public Service Superannuation Fund. By resolutions of the Board of Directors on March 18, 1991 and January 20, 1994, NSRFC's participation in the Plans was authorized. These liabilities were transferred to InNOVAcorp upon the dissolution of NSRFC.

A liability in the amount of $1,514,796 has been accrued as a March 31, 1998 (1997-$1,553,313). This amount represents management's best estimate of the present value of the future payments required under the Plans. Of the total liability, $12,299 (1997-$41,942) has been classified on the balance sheet as current and $1,502,497 (1997 - $1,511,471) has been classified as long-term.

Aggregate payments required under the Plans in each of the next five years are as follows:

	Estimated Cash Flows	Imputed Interest	Principal Reduction
1998-99	$ 134,481	$ 122,497	$ 11,984
1999-00	139,188	121,642	17,546
2000-01	143,278	120,209	23,069
2001-02	149,101	118,391	30,710
2002-03	154,320	115,950	38,370

10. Capital Assets

		1998		1997
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	$ 350,700	$ ---	$ 350,700	$ 350,700
Buildings	6,483,937	489,937	5,994,000	6,047,912
Machinery and equipment	1,617,565	570,073	1,047,492	1,275,776
Computer equipment	693,296	295,476	397,820	461,698
SE Technology license	111,000	82,660	28,340	56,681
Furniture and fixtures	161,583	44,750	116,833	72,552
Non-owned buildings	150,397	150,397	---	---
Management information systems	134,603	9,125	125,478	74,862
	$ 9,703,081	$ 1,642,418	$ 8,060,663	$ 8,340,181

11. Share Capital

Order in Council 97-431 authorized InNOVAcorp to issue the following share capital: 75 Class A common voting shares and 1 principal share. All the shares are to have par value of $1.00 and are to be issued to the Province of Nova Scotia. At March 31, 1998 the shares had not been issued.

12. Loan Guarantees

The Corporation has provided guarantees to two companies for a total of $350,000 as security for a loan and line of credit. At March 31, 1998, $156,850 (1997 - $39,040) of the guarantees were utilized.

13. Revenue, Recoveries and Grants

InNOVAcorp received an annual grant from the Province of Nova Scotia as well as funding from various other Federal and Provincial government agencies. Funding related to the operating activities of a business unit has been included in the revenue and recoveries of that unit. Included in Commercialization and Industry Development revenue is government assistance of $433,973 (1997 - $680,641) for direct expenses incurred for the Technical People in Industry (TPI) program. TPI is an Atlantic Canada Opportunities Agency (ACOA) sponsored program administered by the Corporation, which provides partial salary support to companies employing new technical skills.

Funding not specific to a business unit's operating activities and funding related to the acquisition of capital assets is included in government grants. Details of this funding are as follows:

	1998	1997
Grant from Province of Nova Scotia	$ 3,693,000	$ 3,752,000
Assistance received or receivable under various funding agreements for capital acquisitions	152,490	502,439
Grant from Department of Housing and Municipal Affairs in lieu of taxes	---	267,129
	3,845,490	4,521,568
Less: Government funding used to finance capital assets	(497,321)	(957,946)
Add: Amortization of assets financed through government assistance	245,038	202,819
	$ 3,593,207	$ 3,766,441

14. Subsequent Event

On May 29, 1998 the Members and Board of Directors of the Advanced Materials Engineering Centre (AMEC) approved the sale of AMEC's assets to InNOVAcorp in exchange for: assumption of a $200,000 non-interest bearing obligation of AMEC; assumption of AMEC's working capital deficiency (approximately $60,000) and forgiveness of advances from InNOVAcorp to AMEC (approximately $141,000). The transaction will be completed once InNOVAcorp board approval is received.

15. Year 2000

InNOVAcorp is examining the risks associated with the year 2000, with regards to computer systems and applications using a two-digit code to designate a year. At century change, date-sensitive systems will recognize code 00 as the year 1900, or not at all, thereby causing incorrect processing of financial and operational information.

InNOVAcorp has completed an assessment of PC hardware, network hardware and packaged software currently being used and has in place a plan to address the necessary modifications and replacements. Efforts over the next year will be directed at assessing facilities, suppliers and the legal aspects of year 2000 risk mitigation.

To date management does not anticipate any material impact on its operations, although there can be no assurance that modifications will be successful and it is not possible to be certain that all aspects of the year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. Cost incurred to date and anticipated to be incurred in connection with modifications required by InNOVAcorp have not had, and will not have, a material impact on the financial position of the Corporation.

16. Public Service Superannuation Fund

Employees of InNOVAcorp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the expenses of InNOVAcorp's divisions.

The Public Service Superannuation Fund is administered by the Department of Finance. InNOVAcorp is not responsible for any unfunded liability.

17. Public Service Awards

Employees of the Corporation are entitled to Public Service Awards on retirement. The Awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of 26 weeks. The cost of the Award is provided for by the Corporation at the time the employee retires.

18. Related Party Transaction

Entity	Relationship	Sales To	Purchases From	Year End Receivable	Year End Payable
PlantSelect Biotechnology Systems Limited	50% Investee	$ 16,238 (1)	$ 1,727	$ 65,531	$ 1,727
Advanced Materials Engineering Centre	Strategic Partner	68,342 (1)	3,892	210,453 (2)	—
NSFF Investments	Venture Investments	143,173	1,219	58,755	—

(1) Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited and Advanced Materials Engineering Center at no cost as part of the business incubation process.

(2) The year end receivable includes $141,638 in advances to the Advanced Materials Engineering Center to finance cash flow during AMEC's transition into InNOVAcorp. The amount bears no interest and has no specified terms of repayment.

Other than as noted above, the terms of these transactions are the same as with unrelated parties and as such have been measured at the exchange amount. InNOVAcorp also has the use of the Technology Innovation Center which is owned by the Province of Nova Scotia, at no cost. During 1997-98 the Province also provided $62,423 (1997 - $87,577) for the capital maintenance of this facility.

AUDITOR'S REPORT

To the Minister of Justice; and
To the Chair and Members of the
Nova Scotia Legal Aid Commission

I have audited the balance sheet of the Nova Scotia Legal Aid Commission as at March 31, 1998, and the statement of revenues, expenses and surplus for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Legal Aid Commission as at March 31, 1998 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 9, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA LEGAL AID COMMISSION

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Current		
Cash	$ —	$ 1,413,321
Investments (Note 3)	2,183,548	—
Receivables - Province of Nova Scotia	—	234,338
- Other	53,982	4,637
Prepaid expenses	34,178	37,212
	2,271,708	1,689,508
Trust fund - public service awards (Note 4)	670,445	623,302
Furniture, equipment, and leasehold improvements (Note 2)	1	1
	$ 2,942,154	$ 2,312,811

LIABILITIES AND SURPLUS

	1998	1997
Current		
Bank indebtedness	$ 232,328	$ —
Accounts payable and accruals		
Supplies and services	75,013	99,568
Accrued private solicitors' fees (Note 5)	780,632	781,039
Employee salaries and benefits	264,169	58,161
	1,352,142	938,768
Long-term		
Accrued vacation (Note 6)	43,825	118,698
Early retirement incentive program (Note 7)	168,185	167,261
Long service awards (Note 8)	670,445	623,671
	882,455	909,630
Surplus (Note 5)	707,557	464,413
	$ 2,942,154	$ 2,312,811

Commitments and contingencies (Note 9)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Revenues, Expenses and Surplus

for the year ended March 31, 1998

	1998	1997
Revenues		
Grant - Province of Nova Scotia	$ 10,248,000	$ 10,468,338
Interest	102,647	109,640
Other income	2,750	12,694
	10,353,397	10,590,672
Expenses (Schedule I)		
Directors' fees	57,156	28,568
Equipment and maintenance	71,598	56,794
Leasehold improvements	20,347	200
Library	124,740	113,229
Membership, meetings and conferences	192,382	233,425
Office disbursements	190,858	280,759
Private solicitors' fees (Note 5)	1,830,068	1,949,802
Professional and other fees	60,187	90,083
Salaries and benefits	6,408,165	6,709,389
Supplies and services	908,505	895,661
Travel	246,247	241,588
	10,110,253	10,599,498
Excess (Deficiency) of revenues over expenses (Note 5)	243,144	(8,826)
Surplus, beginning of year	464,413	473,239
Surplus, end of year (Note 5)	$ 707,557	$ 464,413

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA LEGAL AID COMMISSION

Notes to Financial Statements

March 31, 1998

1. Authority

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

3. Investments

Investments consisted of banker acceptance notes and are valued at cost which approximates market value.

4. Trust Fund - Long Service Awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to help provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

In prior years, employees with 15 years of employment could apply for an advance on their long service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. As at March 31, 1998 six employees have received advances. Advances plus accrued interest at March 31, 1998 totalled $141,487 (1997 -$134,814).

	1998	1997
Balance, beginning of year	$ 623,302	$ 336,604
Add: Contribution from operating funds	49,923	269,312
Interest on long service award advances	8,945	8,445
Interest on investments	16,721	8,941
	75,589	286,698
Less: Long service award paid to retiring employees	28,446	---
Balance, end of year	$ 670,445	$ 623,302
Consisting of:		
Cash	$ 13,593	$ 488,488
Securities and accrued interest on securities	515,365	---
Receivable - long service award advances and accrued interest on advances	141,487	134,814
	$ 670,445	$ 623,302

5. Accrued Private Solicitors' Fees

The Commission assigns cases to private solicitors where a conflict of interest arises, or when choice of counsel is elected by the client in certain criminal cases. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. The balance of $780,632 as at March 31, 1998 (1997 - $781,039) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years.

Due to an element of uncertainty in the estimation process, the difference between the estimated and actual liability may be material. Management of the Commission is confident that the actual current liability is in the range of $388,000 to $881,000. Consequently, private solicitors' fees expense could range from $1,437,000 to $1,930,000, excess of revenues over expenses could range from $143,000 to $636,000 and end of year surplus could range from $607,000 to $1,100,000.

In addition to the $780,632 liability for unbilled private solicitor fees, a further expenditure after March 31, 1998 of approximately $407,885 may be required to complete these cases. Due to the reasons discussed above, this balance could range from approximately $308,000 to $801,000.

The surplus balance of the Commission is committed to fund the eventual completion of private solicitor cases outstanding at year end.

6. Accrued Vacation

Employees may carry forward to future years up to five days of vacation leave in any given year. Accumulated vacation leave must be taken over the next three years. Earned but unused vacation leave at March 31, 1998 totalled $96,667 (1997 - $158,264), of which $43,825 (1997 - $118,698) is classified as a long-term liability.

7. Early Retirement Incentive Program

The Commission is participating in an Early Retirement Incentive Program offered by the Province of Nova Scotia to crown agencies. A liability in the amount of $180,465 (1997 $173,447) has been accrued on March 31, 1998. This amount represents management's best estimate of the present value of the future payments required under the Program. Of the total liability, $12,280 (1997 -$6,186) has been classified on the balance sheet as current and $168,185 (1997 - $167,261) has been classified as long-term.

The present value of pension benefits to be paid by the Commission is expensed in the year an employee opts to take early retirement under the Program.

8. Long Service Awards

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of 26 weeks.

In 1998, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligations respecting long service awards at March 31, 1998, the long service award trust funds of $670,445 (1997-$623,302) are sufficient to fund the liability (1997 - $369 unfunded liability).

9. Commitments and Contingencies

(a) The Commission has entered into lease agreements for eleven of its offices. The remaining two offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office. Most of the leases expire on or before December 31, 2000.

Minimum lease payments for signed lease agreements for the next five years, not including operating costs and taxes, are as follows:

1998-1999	$	448,716
1999-2000	$	435,734
2000-2001	$	350,440
2001-2002	$	116,768
2002-2003	$	82,248

(b) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide up to $230,800 to Dalhousie Legal Aid Services for the year ending March 31, 1999.

(c) Pursuant to the expiry of the Public Sector Wage Restraint (1994-1997) Act, certain employees of the Commission are seeking to have their professional experience levels adjusted, with resulting salary increases. The likelihood of the adjustments and the salary increases involved are not determinable and therefore no provision has been recorded in the financial statements.

(d) The Commission has allocated $75,000 from the surplus balance to fund the acquisition of a new accounting system in the year ending March 31, 1999.

10. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

11. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Commission's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Commission, including those related to the efforts of suppliers or other third parties, will be fully resolved.

Schedule I

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA LEGAL AID COMMISSION

Schedule of Expenses

for the year ended March 31, 1998

	1998		1997
	Budget	Actual	Actual
Directors' fees	$ 45,000	$ 57,156	$ 28,568
Equipment and maintenance			
Office furniture and equipment	41,000	27,085	12,255
Office machine leasing	48,000	12,818	10,311
Office machine maintenance	36,000	31,695	34,228
	125,000	71,598	56,794
Leasehold improvements	3,500	20,347	200
Library	125,000	124,740	113,229
Membership, meetings and conferences			
Membership and dues	177,800	144,444	180,419
Meetings and conferences	45,000	47,938	53,006
	222,800	192,382	233,425
Office disbursements			
Civil and Family	150,000	108,098	142,542
Criminal	80,000	75,580	130,490
Young Offender	10,000	7,180	7,727
	240,000	190,858	280,759
Private solicitors' fees			
Civil and Family - conflicts	838,900	1,051,717	1,173,936
Criminal - choice of counsel	200,000	185,718	124,894
Criminal - conflicts	352,000	519,932	532,788
Young Offender - conflicts	106,700	72,701	118,184
	1,497,600	1,830,068	1,949,802
Professional and other fees			
Professional fees	30,500	27,187	46,973
Duty counsel fees	33,000	33,000	43,110
	63,500	60,187	90,083
Salaries and benefits	6,653,300	6,408,165	6,709,389
Supplies and services			
Advertising	—	1,401	—
General cleaning and office expense	50,000	63,876	54,090
Heat, light and water	30,000	25,827	29,068
Printing and stationery	80,000	76,358	78,789
Rent, insurance and taxes	531,000	506,066	476,111
Telephone and postage	250,000	234,977	257,603
	941,000	908,505	895,661
Travel	231,300	246,247	241,588
	$ 10,148,000	$ 10,110,253	$ 10,599,498

AUDITORS' REPORT

To the Honourable Minister
in Charge of Administration
Liquor Control Act
Province of Nova Scotia
Halifax, Nova Scotia

We have audited the balance sheet of The Nova Scotia Liquor Commission as at March 31, 1998 and the statements of income and changes in financial position for the year then ended. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Nova Scotia Liquor Commission as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG
Chartered Accountants

Halifax, Canada
June 26,1998

PROVINCE OF NOVA SCOTIA

THE NOVA SCOTIA LIQUOR COMMISSION

Balance Sheet

March 31, 1998, with comparative figures for 1997

ASSETS

	1998	1997
	(in thousands)	
Current assets:		
Cash	$ 2,628	$ 4,453
Accounts receivable	1,877	1,206
Inventories of stock in warehouse and stores	12,628	12,172
Prepaid expenses	506	472
	17,639	18,303
Property and equipment:		
Furniture, fixtures and portable equipment	12,130	11,596
Other equipment	7,117	6,859
Computers	1,961	516
Land and buildings	12,046	11,217
Capital and leasehold improvements	19,961	18,531
	53,215	48,719
Less: Accumulated depreciation and amortization	40,003	35,776
	13,212	12,943
Assets under capital lease	10,831	10,831
Less accumulated amortization	6,929	6,035
	3,902	4,796
	$ 34,753	$ 36,042

LIABILITIES

	1998	1997
Current liabilities:		
Accounts payable and accrued liabilities	$ 16,119	$ 6,876
Current portion of obligations under capital leases (note 2)	243	211
	16,362	7,087
Long-term liability:		
Obligations under capital lease (Note 2)	9,127	9,370
Due to Minister of Finance:		
Balance, beginning of year	19,585	19,619
Remittances	19,585	19,619
	---	---
Current year:		
Net income	118,429	116,104
Remittances	109,165	96,519
Balance, end of year	9,264	19,585
	$ 34,753	$ 36,042

Operating Leases (Note 3)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

THE NOVA SCOTIA LIQUOR COMMISSION

Statement of Income

year ended March 31, 1998, with comparative figures for 1997

(in thousands)

	1998	**% of Sales**	**1997**	**% of Sales**
Net Sales $	331,868	100.0	$ 323,641	100.0
Cost of goods sold	167,563	50.5	162,917	50.3
	164,305	49.5	160,724	49.7
Stores' operating expenses	30,218	9.1	29,950	9.2
Income, store operations	134,087	40.4	130,774	40.5
Depreciation (Note 5)	5,121	1.6	3,495	1.1
Warehousing and distribution expenses	3,563	1.1	3,835	1.2
Administrative expenses (Note 6)	7,762	2.3	7,982	2.5
Other revenue	(2,950)	(0.9)	(2,486)	(0.8)
Other expenses	1,157	0.3	947	0.3
	14,653	4.4	13,773	4.3
Income before unusual item	119,434	36.0	117,001	36.2
Early retirement program	1,005	0.3	897	0.3
Income from operations $	118,429	35.7	$ 116,104	35.9

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

THE NOVA SCOTIA LIQUOR COMMISSION

Statement of Changes in Financial Position

year ended March 31, 1998, with comparative figures for 1997

	1998	1997
	(in thousands)	
Cash provided by (used in):		
Operations:		
Income from operations	$ 118,429	$ 116,104
Depreciation and amortization not involving cash	5,121	3,495
Change in non-cash operating working capital	8,082	(383)
	131,632	119,216
Financing:		
Principal payments on obligations under capital lease	(211)	(184)
Investments:		
Additions to property and equipment (net)	(4,496)	(2,399)
Other:		
Remittances to Minister of Finance	(128,750)	(116,138)
Increase (decrease) in cash	(1,825)	495
Cash, beginning of year	4,453	3,958
Cash, end of year	$ 2,628	$ 4,453

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

THE NOVA SCOTIA LIQUOR COMMISSION

Notes to Financial Statements

year ended March 31, 1998

The Nova Scotia Liquor Commission administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989.

1. Significant accounting policies:

(a) Inventories:

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from bonded warehouse.

(b) Property and equipment:

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line basis at the following annual rates:

Asset	**Rate**
Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements	10%
Computers - stand-alone	33%
Computers - integrated systems	20%
Land and buildings	5%

In the year of addition, depreciation is charged at the full annual rate.

Land costs which normally would not be depreciated are written off due to the retention of proceeds by the Province of Nova Scotia.

(c) Assets under capital lease:

Assets under capital lease are amortized over their estimated useful lives using the straight-line method.

2. Obligations under capital lease:

The Nova Scotia Liquor Commission has an obligation under a capital lease, which matures in 2011. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The following is a schedule by years of future minimum lease payments together with the balance of the obligation under capital lease as of March 31, 1998:

1999		1,537,000
2000		1,536,000
2001		1,537,000
2002		1,536,000
2003		1,536,000
2004-2011		13,444,000
Total minimum lease payments		21,126,000
Less amount representing interest		(11,756,000)
Balance of obligation		9,370,000
Less current portion of obligations under capital lease		243,000
	$	9,127,000

3. **Operating leases:**

The Nova Scotia Liquor Commission leases buildings, premises and equipment under operating leases which expire at various dates between 1999 and 2011. Some of these operating leases contain renewal options at the end of the initial lease term.

The following is an approximate schedule by years of future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 1998:

1999	$	2,564,000
2000		2,349,000
2001		1,840,000
2002		1,453,000
2003		985,000
2004-2011		3,580,000
Total minimum payments required	$	12,771,000

4. **Change in estimate:**

The estimated useful life of stand alone computers was revised to 3 years in 1998 (5 years in 1997). The adjustments to accumulated depreciation and depreciation expense totaled roughly $1,400,000.

5. **Administrative expenses:**

Administrative expenses also include the following:

	1998	1997 (in thousands)
Interest on obligation under capital lease	$ 1,325	$ 1,353

6. Pension plan and retirement obligations:

Full time employees of the Nova Scotia Liquor Commission are members of the Nova Scotia Public Service Superannuation Plan.

7. Comparative figures:

Certain of the 1997 figures, presented for comparative purposes, have been restated to conform with the presentation adopted for 1998.

AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of financial position of Nova Scotia Municipal Finance Corporation as at March 31, 1998 and the statements of revenue, expenditure and reserve fund and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The comparative figures for 1997 were reported on by another firm of chartered accountants.

KPMG
Chartered Accountants

Halifax, Canada
May 12, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Balance Sheet

March 31, 1998 with comparative figures for 1997

	1998	1997
ASSETS		
Current assets:		
Cash	$ 81,503	$ 21,060
Short-term investments, at amortized cost (market - $5,500,000; 1997- $5,725,000)	5,500,000	5,725,000
Accrued interest receivable	20,265,150	18,856,241
Principal due within one year on loans to units	73,041,907	51,378,481
	98,888,560	75,980,782
Long-term assets:		
Loans to units (Note 3)	631,772,585	536,306,767
Less: Principal included in current assets	73,041,907	51,378,481
	558,730,678	484,928,286
Investments, at amortized cost (market - $6,968,789; 1997 - $7,019,863)	6,657,800	6,572,574
Deferred charges:		
Discount on debenture debt	3,127,118	2,363,065
Less: Accumulated amortization	1,965,909	1,700,845
	1,161,209	662,220
	$ 665,438,247	$ 568,143,862
Trust fund assets (Note 4)	$ 155,185,127	$ 128,802,462

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Financial Position

March 31, 1998 with comparative figures for 1997

	1998	1997
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 18,436	$ 12,323
Accrued interest payable	20,359,044	18,974,501
Principal due within one year on debenture debt	73,756,000	51,278,000
	94,133,480	70,264,824
Long-term debt:		
Debentures payable (Note 5)	638,140,000	542,600,000
Less: Principal included in current liabilities	73,756,000	51,278,000
Deferred credits:		
Discount on loans to units	3,159,330	2,395,043
Less: Accumulated amortization	2,043,182	1,790,488
Equity:		
Reserve Fund:		
Residual Reserve Fund	5,234,619	5,952,483
Reserve for debenture/loan interest differential	570,000	—
	5,804,619	5,952,483
	$ 665,438,247	$ 568,143,862
Trust funds under administration (Note 4)	$ 155,185,127	$ 128,802,462

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Revenue, Expenditure and Reserve Fund

year ended March 31, 1998 with comparative figures for 1997

	1998	1997
Revenue:		
Interest on loans to units	$ 54,875,381	$ 57,176,743
Amortization of discount on loans to units	252,694	155,165
Interest on short-term investments	668,919	688,197
Current discount on loans to units	585,844	241,475
	56,382,838	58,261,580
Expenditure:		
Interest on debenture debt and short-term loans	55,598,350	57,902,158
Amortization of discount on debenture debt	265,064	179,257
Debenture issue expenses	491,914	208,832
Administrative expenses (Note 6)	175,374	164,693
	56,530,702	58,454,940
Net expenditure	(147,864)	(193,360)
Reserve fund, beginning of year	5,952,483	6,145,843
Reserve fund, end of year	$ 5,804,619	$ 5,952,483

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Changes in Financial Position

year ended March 31, 1998 with comparative figures for 1997

	1998	1997
Cash provided by (used in):		
Operations		
Net (expenditure) revenue	$ (147,864)	$ (193,360)
Add (deduct) items not involving cash:		
Amortization of discount on loans to units	(252,694)	(155,165)
Amortization of discount on debenture debt	265,064	179,257
Amortization of premium on investments	(85,226)	---
Change in non-cash working capital (note 8)	(18,253)	(100,284)
	(238,973)	(269,552)
Investments:		
Issue of loans of $146,844,300 to units on security of debentures, net of discounts of $764,287 (1997-of $62,936,000 net of discounts of $314,796)	(146,080,013)	(62,621,204)
Purchase of investments, net of premiums of $Nil (1997 - $352,426)	---	(2,956,243)
Principal received on loans to units	51,378,482	88,918,800
	(94,701,531)	23,341,353
Financing:		
Issue of debentures of $146,818,000, net of discounts of $764,053 (1997 - $62,940,000 net of discounts of $315,024)	146,053,947	62,624,976
Principal payment on debenture debt	(51,278,000)	(88,766,000)
	94,775,947	(26,141,024)
Decrease in cash and short-term investments	(164,557)	(3,069,223)
Cash and short-term investments, beginning of year	5,746,060	8,815,283
Cash and short-term investments, end of year	$ 5,581,503	$ 5,746,060

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Notes to the Financial Statements

year ended March 31, 1998

The Corporation was created by the Municipal Corporation Act, which was proclaimed on July 31, 1979. The corporation began operations on January 1, 1980 and has a March 31 fiscal year end. The object of the Corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, including district school boards, and hospitals through a central borrowing authority.

1. **Summary of significant accounting policies:**

(a) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.

(b) The Reserve Fund was created from interest earnings on funds which had been advanced by the Province of Nova Scotia and have since been repaid and interest on other surplus monies available from time to time, as well as from discounts on loans to units. The purpose of the Reserve Fund is to provide a capital base for the Corporation, as well as to provide for funds which may be required for administrative purposes and timing differences.

(c) The Reserve for debenture/loan interest differential represents an allocation approved by the Board of Directors to fund the negative interest on loans maturing to the year 2000.

2. **Fair values of financial instruments:**

Financial assets and financial liabilities:

The fair values of cash, accrued interest receivable, accrued interest payable and principal due within one year on loans to units are assumed to approximate their carrying amounts because of their short term to maturity. The fair values of investments are assumed to approximate quoted market values as disclosed in the financial statements. The fair values of payables and principal due within one year on debenture debt are assumed to approximate their carrying amounts because of their short term to maturity.

The fair values of the Corporation's loans to units and debentures payable fluctuate with change in current lending rates. The Corporation's mandated rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As at March 31, 1998, the Corporation's debenture debt was hedged by offsetting loans to units with the exception of approximately $6,300,000 which was hedged by unrelated marketable securities. The fair market value of the marketable securities was $6,968,789, while the fair market value of the debentures in excess of the loans to units was $7,109,672. As the Corporation normally holds the debentures to maturity, book values of the investments and debentures have not been adjusted to reflect the differences.

Trust fund assets managed by the corporation are completely offset by trust fund liabilities providing a hedge against fair value changes.

3 Loans to units:

(a) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 4.75% to 14.25%. Due to existing provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

(b) Principal payments receivable in each of the next five years are as follows:

1999	$	73,041,907
2000	$	127,282,725
2001	$	143,090,841
2002	$	46,123,363
2003	$	67,134,705

4 Trust funds under administration:

Trust fund assets totalling $155,185,127 (1997 - $128,802,462) are held on behalf of certain municipal units and provincial debt issued for school and hospital construction. These funds represent sinking funds which are held by the Corporation to be applied to the repayment of outstanding debenture debt at maturity.

5. **Debentures payable:**

(a) The debenture debt outstanding at March 31, 1998 totalling $638,140,000 (1997 - $542,600,000) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia.

Series	**Date Issued**	**Maturity Date**	**Interest Rate**		**Debt Outstanding**
A	Jan. 4/80	1998 to 2000	11.250	$	2,500,000
B	July 2/80	1998 to 2000	12.000		2,100,000
C	Dec. 19/80	1998 to 2000	13.375		3,750,000
D	Dec. 19/80	1998 to 2000	13.375		1,500,000
K	Sept. 7/83	1998 to 1998	12.750		700,000
M	Aug. 28/84	1998 to 1999	14.250		200,000
N	Apr. 2/85	1998 to 2005	12.250-12.500		4,315,000
P	Dec. 11/85	1998 to 2000	10.750-11.000		2,500,000
U	May 11/88	1998	10.375		2,022,000
V	Nov. 3/88	1998	11.000		26,950,000
W	Apr. 26/89	1999	11.250		40,100,000
X	Nov. 16/89	1999	10.500		43,000,000
Y	June 21/90	2000	11.750		44,000,000
Z	Nov. 15/90	2000	11.900		59,000,000
AA	May 29/91	1998 to 2001	10.375-10.500		15,400,000
AB	Oct. 30/91	1998 to 2001	9.500-9.750		19,390,000
AC	May 13/92	1998 to 2002	9.625-9.875		34,925,000
AD	Dec. 9/92	1998 to 2002	8.000-8.500		24,380,000
AE	May 5/93	1998 to 2003	7.750-8.500		16,520,000
AF	Nov. 18/93	1998 to 2003	6.750-7.625		13,200,000
AG	July 13/94	1998 to 2004	8.500-9.250		13,340,000
AH	Dec. 8/94	1998 to 2004	8.750-9.750		21,202,000
AI	May 2/95	1998 to 2005	8.375-9.125		14,530,000 *
AJ	Nov. 14/95	1998 to 2005	7.125-8.125		27,830,000
AK	May 14/96	1998 to 2006	6.250-8.000		38,566,000 *
AL	Oct. 28/96	1998 to 2006	5.250-7.500		19,402,000
AM	May 12/97	1998 to 2007	4.500-7.000		61,938,000 *
AN	Oct. 17/97	1998 to 2007	4.250-6.250		39,780,000 *
AP	Jan. 30/98	1999 to 2019	5.125-6.125		45,100,000 *
					638,140,000

* Placed directly with the Province of Nova Scotia
Interest is payable semi-annually.

(b) Principal payments due in each of the next five years are as follows:

1999	$	73,756,000
2000	$	128,498,000
2001	$	147,713,000
2002	$	46,156,000
2003	$	67,366,000

6. Administrative expenses:

	1998		1997
	Budget	Actual	Actual
Salaries and benefits	$ 126,962	$ 128,549	$ 120,056
Travel	3,500	2,589	2,616
Equipment and maintenance	5,150	4,505	4,628
Printing	2,300	2,404	1,417
Postage	4,000	4,337	3,189
Telecommunications	5,000	3,500	3,609
Stationery and supplies	5,000	3,430	3,794
Professional services	6,000	6,307	4,800
Bank charges	9,000	9,245	10,932
Directors' fees and expenses	5,600	4,580	4,788
Professional development	4,930	3,935	3,077
Dues and subscriptions	1,080	1,144	1,199
Insurance	755	550	555
Other	500	299	33
	$ 179,777	$ 175,374	$ 164,693

7. Taxes:

The corporation is not subject to provincial or federal taxes.

8. Change in non-cash working capital:

	1998	1997
Accrued interest receivable	$ (1,408,909)	$ 1,332,880
Accounts payable	6,113	(3,199)
Accrued interest payable	1,384,543	(1,429,965)
	$ (18,253)	$ (100,284)

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Police Commission

We have audited the balance sheet of the Nova Scotia Police Commission as at March 31, 1998 and the statements of operations and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1998, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

GRANT THORTON
Chartered Accountants

Halifax, Nova Scotia
May 15, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POLICE COMMISSION

Balance Sheet

March 31, 1998

	1998	1997 (Restated)
ASSETS		
Current		
Cash	$ 59,914	$ 53,304
Accounts receivable	295	859
	60,209	54,163
Capital assets	3,303	6,932
	$ 63,512	$ 61,095
LIABILITIES		
Current		
Payables and accruals	$ 8,802	$ 11,087
Due to Province of Nova Scotia	51,407	43,076
	60,209	54,163
SURPLUS		
Investment in capital assets (Note 4)	3,303	6,932
	$ 63,512	$ 61,095

See accompanying notes to the financial statements

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POLICE COMMISSION

Statement of Operations and Surplus

year ended March 31, 1998

	1998	1997 (Restated)
Revenue		
Grant from the Province of Nova Scotia - gross	$ 287,037	$ 270,000
Refundable portion	(51,407)	(33,493)
Net grant	235,630	236,507
Interest and other revenue	1,447	2,252
	237,077	238,759
Expenses		
Commission		
Salaries, wages and benefits	136,650	140,808
Investigation services	25,623	23,079
Travel	17,465	15,048
Office supplies and services	7,583	8,466
Telephone	6,287	1,948
Depreciation	3,629	3,629
Printing and copying	1,848	461
Equipment	1,757	1,704
Dues and fees	1,175	1,819
Audit	1,000	1,000
Other expenses	744	658
Repairs and maintenance	593	616
Transcription	28	15
	204,382	199,251
Review Board		
Salaries, wages and benefits	25,425	21,225
Travel	10,443	13,408
Dues and fees	456	2,090
	36,324	36,723
	240,706	235,974
Operating (deficit) surplus	$ (3,629)	$ 2,785
Surplus, beginning of year	$ —	$ —
Operating (deficit) surplus	(3,629)	2,785
Transfer from (to) investment in capital assets for		
Depreciation	3,629	3,629
Capital asset acquisitions	—	(6,414)
	3,629	(2,785)
Surplus, end of year	$ —	$ —

See accompanying notes to the financial statements

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POLICE COMMISSION

Statement of Capital Assets

year ended March 31, 1998

		Accumulated Depreciation				
	Cost	Balance Beginning of year	Depreciation Expense	Balance End of Year	1998 Net Book Value	1997 Net Book Value
Computer equipment	$ 8,270	$ 4,829	$ 2,756	$ 7,585	$ 685.0	$ 3,441
Equipment	4,364	873	873	1,746	2,618.0	3,491
Total	$ 12,634	$ 5,702	$ 3,629	$ 9,331	$ 3,303	$ 6,932

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POLICE COMMISSION

Statement of Changes in Financial Position

year ended March 31, 1998

	1998	1997 (Restated)
Cash derived from (applied to)		
Operating		
Operating (deficit) surplus . . . $	(3,629) $	2,785
Depreciation . . .	3,629	3,629
	---	6,414
Change in non-cash operating working capital		
Increase in accounts receivable . . .	563	104
Decrease in accounts payable . . .	(2,284)	(8,560)
Increase(decrease) in due to Province of Nova Scotia . . .	8,331	(9,109)
	6,610	(11,151)
Investing		
Purchase of capital assets . . .	---	(6,414)
Increase (decrease) in cash. . . .	6,610	(17,565)
Cash		
Beginning of year . . .	53,304	70,869
End of year . . . $	59,914 $	53,304

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POLICE COMMISSION

Notes to the Financial Statements

March 31, 1998

1. Incorporation

The Nova Scotia Police Commission was incorporated pursuant to the Police Act of Nova Scotia, Chapter 348 of the Revised Statutes of Nova Scotia, 1989.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles for the public sector.

Effective for the year ended March 31, 1998, the Commission is required to capitalize fixed asset acquisitions and amortize them over their useful lives in a rational and systematic manner. This change in policy is a result of changes to the Public Sector Accounting and Auditing Handbook.

Capital assets purchased by the Commission with a value greater than $1,000 and a useful life greater than one year will be capitalized and amortized over their useful lives on a straight line basis as follows:

Computer equipment	3 years
Equipment	5 years

3. Change in Accounting Policy

The Nova Scotia Police Commission has capitalized fixed assets in accordance with the new Public Sector Accounting and Auditing recommendations. This change has been applied retroactively and results in the following restatement of 1997 figures:

	Increase	Decrease
Capital assets	$ 6,932	$
Investment in capital assets	6,932	
Equipment expense		6,414
Depreciation expense	3,629	
Operating surplus for the year	2,785	

4. Investment in Capital Assets

	1998	1997
Balance, beginning of year	$ 6,932	$ 4,147
Capital asset acquisitions	---	6,414
Depreciation	(3,629)	(3,629)
Balance, end of year	$ 3,303	$ 6,932

5. Pensions

The full time employees of the Commission are entitled, as Civil Servants, to receive pension benefits under the Public Service Superannuation Act. The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability.

AUDITORS' REPORT

To the Board of Directors
Nova Scotia Power Finance Corporation

We have audited the statement of financial position of Nova Scotia Power Finance Corporation as at March 31, 1998 and the statement earnings and retained earnings for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1998, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DELOITTE & TOUCHE
Chartered Accountants

August 17, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

(Formerly Nova Scotia Power Corporation - See Note 1)

Statement of Financial Position

as at March 31, 1998

NET ASSETS

	1998	1997
	(in millions)	
Notes receivable - Nova Scotia Power Inc. (Note 2)	$ ---	$ 5.7
Accrued interest due from Nova Scotia Power Inc.	---	2.7
	---	8.4
Less: Long-term debt (Note 3)	---	(5.7)
Accrued interest on long-term debt	---	(2.7)
	---	(8.4)
Net (Note 4)	$ ---	$ ---

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

(Formerly Nova Scotia Power Corporation - See Note 1)

Statement of Earnings and Retained Earnings

year ended March 31, 1998

	1998	1997
	(in millions)	
Revenue		
Interest on matching notes (Note 6)	$ 1.8	$ 5.7
Expenses		
Interest on long-term debt (Note 6)	1.8	5.7
Net earnings	—	—
Retained earnings, beginning of year	—	—
Retained earnings, end of year	$ —	$ —

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

Notes to the Financial Statements

year ended March 31, 1998

1. Reorganization and Privatization

In 1992, the Province of Nova Scotia passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation (N.S.P.C.). In effecting this, pursuant to the Asset Transfer Agreement effective on August 10, 1992, N.S.P.C. transferred all of its existing assets, liabilities and equity except for long-term debt and related sinking funds to Nova Scotia Power Inc. (N.S.P.I.) in exchange for:

a) matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and

b) 20,134,666 fully paid common shares of N.S.P.I., issued to the Province of Nova Scotia, which were subsequently sold on August 12, 1992 by the Province of Nova Scotia as a secondary offering. Concurrently, the $13.3 million of contributed surplus of N.S.P.C. was transferred to the retained earnings of N.S.P.I.

Subsequent to the reorganization and privatization, the business activities of N.S.P.C. continued under N.S.P.I. N.S.P.C. changed its name to Nova Scotia Power Finance Corporation (N.S.P.F.C.) which continues to hold the long-term debt and sinking fund assets.

Under the terms of the matching notes receivable, N.S.P.I. is responsible for the long-term debt of N.S.P.F.C.

2. Notes Receivable - Nova Scotia Power Inc.

	1998 (in millions)	1997
Matching notes receivable (Note 1)	$ ---	$ 109.5
Less: Sinking fund matching notes payable (Note 1)	---	103.8
	$ ---	$ 5.7

3. Long-Term Debt

	1998 (in millions)	1997
Bonds and debentures, net of sinking funds and defeasance investments	$ ---	$ 5.7

A number of the bond and debenture issues are redeemable prior to maturity at the option of the Corporation. Bonds, debentures and notes payable are summarized by years of maturity in the following table:

	1998		1997	
Years of Maturity	**Principal Outstanding Total**	**Weighted Average Coupon Rate %**	**Principal Outstanding Total**	**Weighted Average Coupon Rate %**
		(in millions)		
1996	$ —	—	$ —	—
1997	—	—	9.6	9.6
1998	—	—	—	—
1999	—	—	—	—
2000	—	—	—	—
1-5 years	—	—	9.6	10.25
6-10 years	—	—	100.0	9.31
11-15 years	—	—	—	—
16-20 years	—	—	—	—
21-25 years	—	—	—	—
26-30 years	—	—	—	—
31-40 years	—	—	—	—
Total long-term debt (Schedule 1)	—	—	109.6	9.39
Less: Sinking funds (Schedule 1)	—		103.9	
Net long-term debt (Schedule 2)	$ —		$ 5.7	

Details of defeasance to March 31,1998 are provided in Schedule 1 to the financial statements.

4. Change in Accounting Policy

Pursuant to changes in the reporting requirements for financial instruments, issued by the Canadian Institute of Chartered Accountants and effective for the year ended March 31, 1997, there is a requirement to net offsetting Notes Receivable and Long-Term Debt, and related interest, where there is a legally enforceable right to set off the recognized amounts and where the corporation's management does intend to realize on the asset and, simultaneously, settle the liability. Management concurs, based on legal counsel opinion, that these conditions apply to Nova Scotia Power Finance Corporation and hence the assets, less offsetting liabilities, have been netted in the Balance Sheet.

5. Debt Defeasance

On reorganization, N.S.P.I. and N.S.P.F. committed, subject to certain conditions, to effect defeasance of N.S.P.F.'s long-term debt through repayment of the matching notes by December 31, 1997 in order to fully remove the debt from its balance sheet by that date. Defeasance requires qualifying assets to be set aside by the debtor to be used solely for satisfying scheduled future payments of principal and interest of a specific obligation.

Under the terms of the Defeasance Agreement, subject to certain factors, minimum amounts of debt to be defeased are as follows:

December 31		**Annual Amount** (in millions)
1993	$	200.0
1994		300.0
1995		400.0
1996		250.0
1997		231.6
	$	1,381.6

As at March 31, 1998, $1,450.0 million of debt had been defeased (1997 - $1,440.3 million) (Schedule 1).

6. Interest

	1998	**1997**
	(in millions)	
Interest on long-term debt	$ 5.3	$ 17.7
Less: Sinking fund earnings	(3.5)	(12.0)
	1.8	5.7
Less: Interest on matching notes - N.S.P.I.	(1.8)	(5.7)
	$ —	$ —

7. General and Administrative Expenses

Under the terms of the privatization agreements, N.S.P.I. is responsible for the payment of N.S.P.F.C. expenses. During the year, $28,736 of such expenses were incurred by N.S.P.F.C. and recovered by it from N.S.P.I.

8. Defeasance Assets

The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other Provincial Government and Utilities, Federal Government, Federal US, and Municipal Government bonds, coupons or residuals. The portfolio mix as of March 31, 1998 is as follows, based upon par values:

Security Type	**% of Portfolio**
Nova Scotia Power Corp.	48.17
Other Provincial Government and Utilities	43.13
Federal Government	8.58
Federal US	0.10
Municipal	0.02
	100.0

Schedule 1

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

Long-Term Debt and Sinking Funds

as at March 31, 1998

Series	Date of Maturity	Rate	Amount Outstanding	Defeasance To Date	Net Undefeased Balance	(1)(2) Sinking Funds
Debentures						
"AA"	July 15, 2005 (3)	11.50%	50,000,000	50,000,000	---	---
"AE"	December 1, 2002 (3)	13.50%	100,000,000	100,000,000	---	---
"AF"	December 20, 2003 (3)	12.50%	75,000,000	75,000,000	---	---
"AG"	February 14, 2005 (3)	12.125%	100,000,000	100,000,000	---	---
"AH"	November 15, 2012	10.875%	150,000,000	150,000,000	---	---
"AJ"	April 27, 2014	11.25%	200,000,000	200,000,000	---	---
"AK"	January 10, 2020	10.25%	150,000,000	150,000,000	---	---
"AM"	February 26, 2031	11.00%	200,000,000	200,000,000	---	---
"AN"	April 1, 2021 (U.S.) (2)	9.40%	424,980,000	424,980,000	---	---
Total long-term debt			$ 1,449,980,000	$ 1,449,980,000	$ ---	$ ---

(1) Sinking funds are maintained on a pooled basis. Presentation by individual debenture issue, above, is based upon management allocation.

(2) Amounts payable in foreign currencies and those sinking fund investments denominated in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.

(3) Callable issues. Under the terms of the privatization agreements, all options must be exercised.

Schedule 2

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

Continuity of Long-Term Debt

August 10, 1992 to March 31,1998

Long-term debt, August 10, 1992 (Note 1)	$ 2,152,879,732
Less: Sinking funds, August 10, 1992	(420,560,964)
Net long-term debt, August 10, 1992	1,732,318,768

Less: Retired, funded or defeased:

	Debt Retirement	Sinking Fund Growth	Defeasance	
Year ended March 31, 1993	$ (1,371,458)	$ (57,498,429)	$ (130,872,250)	(189,742,137)
Year ended March 31, 1994	(238,449,609)	69,597,333	(373,507,887)	(542,360,163)
Year ended March 31, 1995	(65,543,679)	70,132,288	(354,775,338)	(350,186,729)
Year ended March 31, 1996	(184,588,286)	146,494,758	(574,804,525)	(612,898,053)
Year ended March 31, 1997	(113,072,800)	87,986,602	(6,330,000)	(31,416,198)
Year ended March 31, 1998				
Sinking fund instalments (NSPI)	---	---	---	---
Sinking fund earnings	---	---	---	---
Retirement of debentures	(109,563,900)	---	---	(109,563,900)
Transfer to defeasance	---	---	---	---
Retirement of savings bonds	---	103,848,412	---	103,848,412
Foreign currency translation	9,690,000	---	(9,690,000)	---
	(99,873,900)	103,848,412	(9,690,000)	(5,715,488)
	$ (702,899,732)	$ 420,560,964	$ (1,449,980,000)	(1,732,318,768)

Net long-term debt, March 31, 1998 (Note 3)	$ ---

Comprised of:

Long-term debt (Schedule 1)	$ 1,449,980,000
Less: Sinking funds	---
Defeased investments	(1,449,980,000)
	$ ---

AUDITOR'S REPORT

To the Minister of Natural Resources; and

To the Chair and Members of the
Nova Scotia Primary Forest Products
Marketing Board

I have audited the balance sheet of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 1998 and the statement of revenues, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1998 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 28, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Current		
Cash	$ 200	$ 200
Current portion of loan receivable (Note 3)	15,000	10,000
Due from Board members	3,600	—
Due from processors	24,123	81,699
Due from Province of Nova Scotia	501,068	511,641
	543,991	603,540
Long-Term		
Loan receivable (Note 3)	25,000	15,000
	$ 568,991	$ 618,540

LIABILITIES AND FUND BALANCE

	1998	1997
Current		
Accounts payable	$ 1,597	$ —
Due to bargaining agents	14,108	24,914
Unearned revenue	---	16,621
	15,705	41,535
Fund Balance	553,286	577,005
	$ 568,991	$ 618,540

Commitment (Note 4)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Revenues, Expenses and Fund Balance

for the year ended March 31, 1998

	1998		1997
	Budget	**Actual**	**Actual**
Revenues			
Charges against suppliers (Note 1) . . .		$ 418,996	$ 482,899
Less: Bargaining agents funding . . .		269,178	321,960
Charges for funding of Board operations	$ 180,000	149,818	160,939
Interest on fund balance	33,000	22,859	34,704
Miscellaneous	---	293	---
	213,000	172,970	195,643
Expenses			
Board member per diems	10,500	30,900	16,800
Equipment and maintenance	2,000	---	100
Grants	40,000	50,155	42,796
Lease payments - equipment	3,000	2,400	3,084
Lease payments - office space	7,800	6,855	7,646
Legal fees	7,500	3,075	2,362
Other	2,900	6,468	1,022
Salaries	86,500	71,529	71,319
Supplies and services	8,500	6,155	3,556
Travel	14,100	19,152	9,113
	182,800	196,689	157,798
(Deficiency) Excess of revenues over expenses	$ 30,200	(23,719)	37,845
Fund balance, beginning of year		577,005	539,160
Fund balance, end of year		$ 553,286	$ 577,005

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to Financial Statements

March 31, 1998

1. Authority

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding of bargaining agents, and for funding the operations of the Board.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging equipment purchases to expense in the year the costs are incurred.

3. Loan Receivable

In November 1996 the Board agreed to loan $40,000 to a wood lot owners organization. In January 1998, the Board amended the loan agreement to extend the term of the loan to March 31, 2001, and defer the initial repayment to $5,000 due on November 1, 1997 to the final payment due March 31, 2001. The $5,000 repayment due March 31, 1998 was received in April 1998, and $10,000 is due in November of 1998, 1999 and 2000 respectively. The loan is non-interest bearing.

4. Office Lease Commitment

On October 1, 1994 the Department of Transportation and Public Works entered into a five-year lease agreement for office space on behalf of the Board. The lease agreement requires monthly payments of $552, which are billed to the Board by the Department of Transportation and Public Works.

5. Pensions

All permanent employees of the Board are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability with respect to the superannuation fund.

6. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Board, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 Issue affecting the Board, including those related to the efforts of producers, suppliers or other third parties, will be fully resolved.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Nova Scotia Resources Limited as at December 31, 1997, and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Generally accepted accounting principles require that gains and losses on foreign currency translation of long-term monetary items be deferred and amortized over the term of the related debt. The company follows the policy of recording gains and losses in the year of occurrence. If these amounts had been deferred and amortized net loss would have increased by $3.4 million (1996 - net earnings decreased by $3.4 million). Unamortized foreign exchange losses carried forward would be $Nil (1996 - $3.4 million). In addition, the opening deficit would have been reduced by $3.4 million (1996 - $6.8 million).

In our opinion, except for the effect on the comparative figures of not deferring and amortizing foreign exchange gains and losses on long-term monetary items, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1997, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG
Chartered Accountants

Halifax, Nova Scotia
March 13, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCES LIMITED

Consolidated Balance Sheet

December 31, 1997

ASSETS

	1997	1996
	(in thousands)	
Oil and gas properties (Note 3)	$ 30,704	$ 11,081
Receivables and other assets (Note 4)	8,896	18,426
Collateral deposits	230	210
Cash and short term investments	371	873
	$ 40,201	$ 30,590

LIABILITIES

	1997	1996
Commercial paper (Note 5)	$ 315,871	$ 272,831
Short term borrowing (Note 6)	146,168	—
Long term borrowing	—	139,351
Provision for site restoration (Note 7)	17,500	17,500
Payables and accruals	20,788	6,631
	500,327	436,313

SHAREHOLDERS' DEFICIENCY

	1997	1996
Capital stock		
Authorized		
40,000 common shares without par value		
Issued and outstanding		
3 common shares	1	1
Deficit	(460,127)	(405,724)
	(460,126)	(405,723)
	$ 40,201	$ 30,590

Future operations (Note 1)
Commitments (Note 8)
Contingency (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Earnings and Deficit

year ended December 31, 1997

	1997 (in thousands)	1996
Revenue		
Oil and gas revenue	$ 59,711	$ 94,378
Royalties	1,004	1,905
	58,707	92,473
Loss on sale of oil and gas properties	---	(2,474)
Sundry revenue	---	80
	58,707	90,079
Expenses		
Production	60,495	49,299
General and administrative	815	1,529
Depreciation and depletion	7,187	6,105
	68,497	56,933
Earnings (loss) before financing cost and income taxes	(9,790)	33,146
Financing cost (Note 10)	44,534	27,047
Income taxes	79	307
Net earnings	$ (54,403)	$ 5,792
Deficit, beginning of year	$ 405,724	$ 411,516
Net earnings (loss)	(54,403)	5,792
Deficit, end of year	$ 460,127	$ 405,724

The accompanying notes are an integral part of these consolidated financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Changes in Financial Position

year ended December 31, 1997

	1997	1996
	(in thousands)	
Cash derived from (applied to)		
Operating		
Net earnings	$ (54,403)	$ 5,792
Items not involving cash:		
Depreciation and depletion	7,187	6,105
Loss on sale of oil and gas properties	---	2,474
	(47,216)	14,371
Change in non-cash operating working capital items	23,654	(11,726)
	(23,562)	2,645
Financing		
Increase (decrease) in commercial paper	43,040	(1,473)
Increase in short term borrowing	146,168	---
Increase (decrease) in long term borrowing	(139,351)	448
	49,857	(1,025)
Investing		
Expenditures on oil and gas properties	(26,797)	(6,836)
Proceeds on sale of oil and gas properties	---	4,500
	(26,797)	(2,336)
Decrease in cash and short term investments	(502)	(716)
Cash and short term investments, beginning of year	873	1,589
Cash and short term investments, end of year	$ 371	$ 873

The accompanying notes are an integral part of these consolidated financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

December 31, 1997

1. Future operations

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Doubts arise due to the company's deficit of $460 million and its commercial paper and short term borrowing of $316 million and $146 million respectively which would impair the company's ability to continue as a going concern without the support of its shareholder, the Province of Nova Scotia, who has guaranteed the debt.

2. Accounting policies

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. A significant part of the Company's activities is conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in these activities.

(b) Oil and gas properties

The Company accounts for oil and gas properties in accordance with the Canadian guideline on full cost accounting.

Under this method, all costs associated with the acquisition, exploration and development of oil and gas properties are capitalized in one cost centre. Depletion is calculated using the unit of production method based on gross proved reserves before royalties. A ceiling test is applied to ensure that the capitalized costs do not exceed the estimated future revenues, net of production, site restoration, administration and financing costs.

(c) Inventory in tanker

Inventory in tanker, included in receivables and other assets, is valued at the lower of cost and market, where market is the current sales price on delivered oil.

(d) Provision for site restoration

The provision for future removal and site restoration costs for the Nova Scotia offshore is based on current estimates and has been fully charged against income as part of depletion expense.

(e) Foreign currency translation

Assets and liabilities denominated in US dollars have been translated to Canadian dollars using the exchange rate on December 31, 1997. Transactions during the year are recorded using the monthly average exchange rate.

(f) Revenue recognition

Revenue from the oilfields offshore Nova Scotia is recorded at current sales prices once the oil is delivered.

3. Oil and gas properties

The Company has the following interests in oil and gas fields offshore Nova Scotia:

	Cost	Accumulated Depreciation	1997 Net Book Value	1996 Net Book Value
		(in thousands)		
Panuke/Cohasset Oil Fields- 50% working interest	258,822	238,234	20,588	10,561
Sable Offshore Energy Project Gas Fields - 8.4% working interest	10,116	—	10,116	520
	$ 268,938	$ 238,234	$ 30,704	$ 11,081

In applying the ceiling test to its oil and gas reserves, the Company used commodity prices as at December 31, 1997 to determine the net recoverable amount from its oil and gas activities. The Company compared this net recoverable amount to the carrying value of the oil and gas properties and has determined that no write-down is required.

4. Receivable and other assets

	December 31 1997	December 31 1996
	(in thousands)	
Accounts receivable - trade	$ 285	$ 8,161
Inventory in tanker	1,453	4,359
Prepaid expenses	323	382
Receivable - insurance claim	—	1,650
Receivable - J.V. partner	6,044	3,073
Receivable - Offshore Infrastructure Fund	760	760
Other assets	31	41
	$ 8,896	$ 18,426

5. Commercial paper

In 1986 the Company established a Euro-Commercial Paper Programme under which it issues short term notes guaranteed by the Province of Nova Scotia, to an aggregate principal amount not exceeding US $250 million. These notes are denominated in US dollars and the principal balance outstanding at December 31, 1997 was US $205.1 million (1996 - $176.0 million). The average coupon rate for issuances in the year was 5.96% (1996 - 5.6%). At December 31, 1997, the rate for new issues in the three month term was approximately 5.9% (1996 - 5.5%).

To support the Euro Commercial Paper Programme, the Company has arranged a credit facility which provides committed bank funding to US $250 million. The principal balance outstanding at December 31, 1997 was US $15.9 million (1996-$23.8 million). Repayment of advances is guaranteed by the Province of Nova Scotia.

6. Short term borrowing

The short term notes have a face value of US $102 million and are secured by guarantees of the Province of Nova Scotia. The notes bear interest at an effective rate of between 5.70% and 5.84%, with a weighted average rate of 5.80% and have maturity dates ranging from January 9, 1998 through March 12, 1998. Upon maturity the notes will be refinanced at the then current rates of interest available to the Province of Nova Scotia.

7. Provision for site restoration - measurement uncertainty

The carrying value of the provision for site restoration costs is based on an abandonment study conducted by an independent third party. The actual costs will be determined when the extent of the site restoration is approved by the Canada - Nova Scotia Offshore Petroleum Board. The Company's share of the cost of site restoration, based on the option chosen, is estimated to range between $13.9 million and $18.9 million.

8. Commitments

The Company has an 8.4% stake in the Sable Offshore Energy Project. This project has made commitments for expenditures in the amount of $2,016,500,000 of which the Company's share is approximately $170,000,000.

9. Contingency

The Company and the Government of Nova Scotia have been named in a claim by TransCanada Pipelines Limited for breaching the terms of a Memorandum of Agreement dated March 1983 that was to have secured their interest in any future developments in the natural gas fields around Sable Island. TransCanada Pipelines Limited has invested $18 million in the development of the regional pipeline project and has stated that it does not intend to abandon this investment nor the opportunities contemplated in the Memorandum of Agreement. The Company has filed its defense of the claim and the magnitude and likelihood of any loss is currently indeterminable.

10. Financing cost

The Company's debt is denominated in US dollars. Financing costs are a combination of interest and foreign exchange gains or losses recorded for transactions during the year plus the foreign exchange on conversion of debt to Canadian dollars at the statement date. During the year the actual interest expense amounted to $26.4 million (1996 -$25.8 million) plus an accounting recognition of the depreciation in the Canadian dollar from $1.3696 at January 1, 1997 to $1.4291 at December 31, 1997 which amounted to $18.1 million in financing costs (1996 - $1.4 million in financing revenue).

11. Financial instruments:

Risk management activities

The Company operates internationally and has significant exposure to movement in the US dollar and fluctuations in interest rates.

At December 31, 1997 a total of $462 million (1996 - $412 million) of liabilities are denominated in US dollars. In addition, all of the oil and gas revenue is subject to fluctuation of US currency.

The Company uses an interest rate swap to reduce the foreign exchange risk on $50 million US (1996 - $50 million US) of its long-term borrowings, which matured in November, 1997.

The Company has not entered into any foreign exchange contracts or interest rate swap agreements to manage their exposure to foreign currency and interest rate fluctuations on the remainder of their US dollar denominated liabilities.

The Company has not entered into any oil swap or foreign exchange contracts to hedge anticipated sales of crude oil during the year.

Interest rate risk

At December 31, 1997 the increase or decrease in net earnings for each one percent change in interest rates on floating rate debt and short term fixed rate debt amounts to $4.7 million.

Foreign exchange risk

For the 1997 fiscal year, the increase or decrease in net earnings for each one cent change in the Canadian dollar, relative to the US dollar, on oil and gas revenue, US denominated liabilities and interest expense amounts to $6.3 million.

Concentration of credit risk

All of the Company's accounts receivable-trade are with customers in the oil and gas industry and are subject to normal industry credit risks.

Fair Values

The fair value of the Company's receivables and other assets, collateral deposits, cash and short-term investments, payables and accruals and commercial paper and short term borrowings approximate their carrying amounts to the relatively short periods to maturity of the instruments.

12. Income taxes

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

The Company's oil and gas operations are conducted through a subsidiary, Nova Scotia Resources (Ventures) Limited. This subsidiary is a taxable corporation and has approximately $487 million of deductions available to reduce future taxable income. The tax benefit related to the deductions has not been recognized in these financial statements.

AUDITOR'S REPORT

To the Chairman and Members of the
Nova Scotia Talent Trust

I have examined the statement of financial position of the Nova Scotia Talent Trust as at March 31, 1998 and the statement of revenues, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many similar organizations, the Trust derives revenue from fund raising and donation activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenues, excess of revenues over expenses, assets and Trust equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the fund raising and donation revenues referred to in the preceding paragraph, these financial statements present fairly in all material respects, the financial position of the Trust as at March 31, 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
August 13, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TALENT TRUST

Statement of Financial Position

as at March 31, 1998

	1998	1997
ASSETS		
Current		
Cash	$ 8,115	$ 6,259
Short-term investments, at cost (Note 2)	17,469	10,645
Accrued interest	863	1,086
	26,447	17,990
Long-term investments, at cost (Note 2)	17,123	20,313
	$ 43,570	$ 38,303
LIABILITIES		
Accounts payable	$ 600	$ ---
FUND BALANCES		
Fund Balance - unappropriated (Operating Fund)	$ 7,074	$ 10,226
Fund Balance - appropriated (Investment Fund) (Note 4)	35,896	28,077
Total Fund Balances	42,970	38,303
Total Liabilities and Fund Balances	$ 43,570	$ 38,303

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TALENT TRUST

Statement of Revenues, Expenses and Fund Balance

for the year ended March 31, 1998

	1998	1997
Revenues		
Grant - Province of Nova Scotia	$ 50,000	$ 50,000
Fund-raising activities (donations)	600	—
Interest earned - operating fund	294	404
Interest earned - investment fund	1,775	1,704
	52,669	52,108
Expenses		
Talent Trust grants	46,500	48,643
Administration expenses (Note 3)	1,502	1,371
	48,002	50,014
Excess of revenues over expenses	4,667	2,094
Fund Balance, beginning of period	38,303	36,209
Fund Balance, end of period	$ 42,970	$ 38,303

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TALENT TRUST

Notes to Financial Statements

March 31, 1998

1. Authority

The Nova Scotia Talent Trust was established pursuant to a special resolution of the Nova Scotia Companies Act. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the visual and performing arts.

2. Investments

	Interest Rate	Maturity Date		Cost
(a) Short-Term				
Royal Bank GIC	3.25%	Apr. 24, 1998	$	5,729
Royal Bank GIC	6.75%	Sept. 11, 1998		5,699
Royal Bank GIC	3.25%	Apr. 28, 1998		6,041
			$	17,469
(b) Long-Term				
Royal Bank GIC	7.00%	Sept. 13, 1999		5,726
Royal Bank GIC	7.25%	Sept. 11, 2000		5,752
Royal Bank GIC	6.25%	Sept. 11, 2001		5,645
			$	17,123

3. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Provincial Department of Education and Culture on behalf of the Trust.

4. Trust Equity - Appropriated

In 1997-98, the Board appropriated the Annon Lee Silver Funds of $6,043.95 (including accrued interest of $3.23) to add to the $25,000 previously appropriated from the Trust's equity for purposes of an endowment fund. Each year, the principle and interest will be reinvested until the balance is sufficient to establish an endowment fund. For the period ended March 31, 1998 interest in the amount of $1,775 was earned on the investments.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued benefits and deficiency of the Nova Scotia Teachers' Pension Fund as at March 31, 1998 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficiency of the Fund as at March 31, 1998 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 8, 1998, except as to Notes 5 and 6
which are as of December 11, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TEACHERS' PENSION FUND

Statement of Net Assets Available for Benefits
and Accrued Pension Benefits
as at March 31, 1998

		1998		1997
		(in thousands)		
NET ASSETS AVAILABLE FOR BENEFITS				
Assets				
Investments (Note 4)	$	2,985,611	$	2,156,380
Receivable from the Province of Nova Scotia (Note 3)		---		284,409
Receivable from School Boards		152,952		124,961
Contributions receivable				
Employees'		3,060		2,823
Employers'		8,203		5,258
Accrued income		19,044		16,710
Cash		1,867		(47)
Total Assets		3,170,737		2,590,494
Liabilities				
Net investment transactions outstanding		3,941		3,123
Accounts payable		18,103		16,525
Total liabilities		22,044		19,648
Net Assets Available for Benefits		3,148,693		2,570,846
Actuarial asset value adjustment (Note 5)		76,222		69,197
Actuarial value of net assets available for benefits	$	3,224,915	$	2,640,043
ACCRUED PENSION BENEFITS AND DEFICIENCY				
Accrued pension benefits (Note 6)	$	3,478,449	$	3,221,996
Deficiency (Note 6)		(253,534)		(581,953)
Accrued pension benefits and deficiency	$	3,224,915	$	2,640,043

Subsequent event - Note 6

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TEACHERS' PENSION FUND

Statement of Changes in Net Assets Available for Benefits

for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Increase in Assets		
Investment activities (Note 4)	$ 591,212	$ 350,963
Interest on receivable from Province of Nova Scotia (Note 3)	10,481	22,683
Interest on receivable from School Boards	10,821	8,548
	612,514	382,194
Contributions		
Employers' - matched	43,599	43,961
Employees' - matched	43,599	43,961
Employers' - unmatched		
- School Boards	42,545	33,798
- Province	12,811	11,917
Employees' - unmatched	702	931
Transfers from other pension plans	600	1,276
	143,856	135,844
Total increase in assets	756,370	518,038
Decrease in Assets		
Benefits paid	171,590	160,882
Operating expenses (Note 7)	5,175	4,175
Refund of contributions and interest	1,315	1,552
Transfers to other pension plans	443	779
Total decrease in assets	178,523	167,388
Increase in Net Assets	577,847	350,650
Net Assets Available for Benefits at Beginning of Year	2,570,846	2,220,196
Net Assets Available for Benefits at End of Year	$ 3,148,693	$ 2,570,846

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TEACHERS' PENSION FUND

Notes to Financial Statements

March 31, 1998

1. Authority and Description of Plan

The Teachers' Pension Fund was established by the Teachers' Pension Act. It is the funding vehicle for the Teachers' Pension Plan, a pension plan which covers public school and some community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are contained in the Act and in the Regulations made under the Act.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The plan is funded by employee and matching employer contributions of 8.3% of salary up to the Year's Maximum Pensionable Earnings (YMPE) per the Canada Pension Plan (CPP) and 9.9% of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada less 1%, to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:

- 35 years of service;
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85";
- age 55 with two years of service (reduced pension);
- age 60 with 10 years of service; and
- age 65 with two years of service.

On July 22, 1994, the Governor in Council authorized an early retirement program (ERP) for plan members. The program provides up to an additional three years of pensionable service for those who were employed by a school board on June 5, 1994 and who reached or will reach age 52 with an age and service factor of 82 or more between June 5, 1994 and July 31, 1998. The additional cost for each teacher who participates is paid by the employing school board. The cost, based on a present value of $97,400 as at July 31, 1994, increases by 8% per year for each year of the program.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with generally accepted accounting principles.

(b) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in unrealized investment income.

(c) Investments

(i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(ii) The derivative contracts held by the Fund are recorded at market value with the resulting gains or losses being recognized in unrealized investment income.

(iii) Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of $88.3 million (2.8% of Total Assets) as at March 31, 1998.

3. Agreement to Address Unfunded Liability

On November 25, 1993 the Teachers' Pension Act was amended to incorporate the terms of an agreement signed May 13, 1993 between the Nova Scotia Teachers' Union and the Province of Nova Scotia to address the unfunded liability in the Teachers' Pension Plan.

As part of this agreement the Province assumed responsibility for $300 million of the unfunded liability. This receivable had an effective annual interest rate of 8% compounded semi-annually and payments were set out in Schedule A of the Teachers' Pension Act. On July 18, 1997 the Province paid the outstanding principal of this commitment ($283,603,788) plus interest accrued to that date.

The Province also agreed to make payments over a ten year period equal to $10 million per year in 1993, increased by 7.5% per year. This commitment is set out in Schedule B of the Teachers' Pension Act.

4. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effects of derivative contracts.

	1998			1997		
	Asset	%	**Income***	**Asset**	%	**Income***
			(in thousands)			
Money market	$ 253,189	8.5%	$ 9,091	$ 233,747	10.8%	$ 6,207
Fixed income	907,247	30.4%	88,899	570,428	26.4%	71,827
Equities - Canadian	1,182,865	39.6%	298,105	887,760	41.2%	182,460
- US	306,908	10.3%	102,538	217,365	10.1%	35,927
- Other foreign . . .	315,968	10.6%	50,472	256,087	11.9%	31,382
Derivatives	19,434	0.6%	42,044	(9,007)	-0.4%	23,084
Other	—	0.0%	63	---	0.0%	76
	$ 2,985,611	100%	$ 591,212	$ 2,156,380	100%	$ 350,963

* Includes realized gains of $142.2 million ($100.2 million - 1997) and unrealized gains of $348.2 million ($134.8 million - 1997)

(b) Derivative contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy. Money market-to-equity swaps have been used during the year to adjust the asset mix. Foreign currency forwards have been used to manage the foreign currency exposure inherent in the foreign investments. Section (f) of this note provides a summary of these contracts as a March 31, 1998.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 1998. Notional amounts of these derivative contracts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such transactions, but serve as the basis upon which the return from and the market value of the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

Notional Principal (in thousands)	**Original Term**	**Credit Rating of Counter-party**	**Equity Index**	**BA Index**	**Market Value** (in thousands)
$ 44,684	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	$ 7,823
40,138	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	8,289
43,104	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	2,222
14,184	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	1,515
24,391	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	1,832
24,667	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	1,532
$ 191,168					$ 23,213

(c) Market value of investments and related income after allocating the effect of derivative contracts.

	1998			1997		
	Asset	%	Income*	Asset	%	Income*
			(in thousands)			
Money market.	$ 85,802	2.9%	$ 4,368	$ 114,892	5.3%	$ 3,249
Fixed income.	882,247	29.6%	87,168	517,928	24.0%	69,323
Equities - Canadian	1,398,464	46.8%	351,357	1,050,108	48.7%	208,684
- US	305,019	10.2%	100,649	217,365	10.1%	37,088
- Other foreign . . .	314,079	10.5%	47,607	256,087	11.9%	32,543
Other	—	0.0%	63	—	0.0%	76
	$ 2,985,611	100%	$ 591,212	$ 2,156,380	100%	$ 350,963

* Includes realized gains of $ 142.2 million ($100.2 million - 1997) and unrealized gains of $348.2 million ($134.8 million - 1997).

(d) Interest rate risk

Interest rate risk refers to the fact that the plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the plan's assets and cash flows related to the plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established a policy asset mix of approximately 60% equities and 40% fixed income securities. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates. At March 31, 1998 the $907,247,000 fixed income securities had a modified duration of 6.07 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 6.07%.

(e) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rate spreads or other economic fundamentals.

The Plan's foreign currency exposure is summarized in the following table.

Currency	Gross Exposure	Net Foreign Currency Hedge (in thousands)	Net Exposure
Canada	$ 2,370,802	$ 172,675	$ 2,543,314
Germany	33,527	(9,814)	23,713
Japan	19,960	(4,746)	15,214
United Kingdom	39,587	(26,536)	13,051
United States	336,890	(100,245)	236,645
Other	205,756	(34,281)	171,475
Total	$ 3,006,522	$ (2,947)	$ 3,003,412

5. Actuarial Asset Value Adjustment

The actuarial asset value adjustment is comprised of the following items:

1. Present value of future payments under Schedule B of the Teachers' Pension Act	$ 74,754,000
2. Adjustment of carrying value of receivable from school boards for the Early Retirement Program caused by the difference between the valuation discount rate of 7.46% and the interest rate of 8% used to determine payments under the program	1,468,000
Total	$ 76,222,000

6. Actuarial Valuation

Actuarial valuations of the Teachers' Pension Fund are required every three years by the Teachers' Pension Act (TPA), and provide an estimate of the accrued pension benefits (fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. A valuation was carried out as at July 1994 and updated in 1995 and 1996. Based on this, it was originally planned that the next formal valuation should be carried out as at July 31, 1998. Prior to the completion of this valuation in December 1998, it was decided that a formal valuation as at July 31, 1997 was required in order to comply with the TPA. A formal valuation as at July 31, 1997 was carried out by the plan's consulting actuaries, Morneau Sobeco, using membership data as at July 31, 1998, adjusted appropriately to take into account data changes from August 1, 1997 to July 31, 1998.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected five year average salary at the expected date of retirement. The major economic and demographic assumptions used in the 1997 valuation were as follows:

Inflation	3.0% per annum
Average Salary Increase	3.5% per annum
Real Rate of Return on Investments	4.33% per annum
Average Retirement Age	60% will retire at earliest age for an unreduced pension 40% will retire at age 65 or with 35 years of service

The 1997 valuation indicated that the Plan had an unfunded liability of $368 million. A projection by the actuaries to March 31, 1998 indicated actuarial value of liablities of $3,478 million and an unfunded liability of $253 million. The July 31, 1998 valuation indicated an unfunded liability of $354 million and a projection to October 31, 1998 indicated an unfunded liability of $598 million. The main reason for the increase in the unfunded liability was a downturn in the financial markets particularly in August, 1998.

7. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	1998	1997
	(in thousands)	
Investment management fees	$ 4,370	$ 3,486
Professional services	58	94
Salaries	525	386
Supplies and services	125	90
Travel	25	29
Other	72	90
	$ 5,175	$ 4,175

8. Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect management's ability to conduct normal business operations. Management and the Province of Nova Scotia have initiated certain steps aimed at identifying the scope and alternative resolutions for the issue and it is acknowledged that additional efforts will be required to address the issue. It is not possible to be certain that all aspects of the year 2000 Issue affecting the Plan, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Utility and Review Board

We have audited the balance sheet of Nova Scotia Utility and Review Board as at March 31, 1998, and the statements of operations, accumulated surplus, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1998, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton
Chartered Accountants

Halifax, Nova Scotia
May 15, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Balance Sheet

March 31, 1998

ASSETS

	1998	1997 (Restated)
Current		
Cash	$ ---	$ 22,138
Short-term investments (Note 3b)		
Board operations	770,348	693,096
War Service pension	168,962	181,639
Accounts receivable (Note 4)	161,669	83,618
Prepaids	3,749	6,724
Inventory (Note 5)	9,827	4,566
	1,114,555	991,781
Capital assets	106,586	148,110
	$ 1,221,141	$ 1,139,891

LIABILITIES

	1998	1997 (Restated)
Current		
Bank indebtedness	$ 146,460	$ ---
Payables and accruals	141,296	136,306
	287,756	136,306
Long-term		
War Service pension liability (Note 6)	168,961	181,639
Public service award liability (Note 7)	97,208	113,095
Advances for working capital (Note 8)	125,000	125,000
	391,169	419,734
	678,925	556,040
Surplus (Note 2)		
Surplus - Province of Nova Scotia	396,922	440,105
Surplus - Utilities	145,294	143,746
	542,216	583,851
	$ 1,221,141	$ 1,139,891

Commitment (Note 10)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Operations

year ended March 31, 1998

	1998	1997 (Restated)
Revenue		
Grant from the Province of Nova Scotia (Note 2)	$ 2,489,130	$ 2,078,549
Assessments to utilities (Note 2)	647,217	580,685
Recoveries (Note 9)	99,372	22,958
Interest	34,015	32,208
	3,269,734	2,714,400
Expenses		
Salaries, wages and benefits	2,001,991	1,837,893
Consulting and legal fees	378,934	43,184
Rent and business taxes (Note 10)	371,686	344,140
Travel	175,148	188,077
Depreciation	81,295	80,947
Transcribing and printing	62,205	29,166
Office supplies and services	39,978	34,004
Equipment (Note 3)	38,756	19,473
Dues and fees	38,743	34,354
Maintenance	32,204	25,887
Telephone and facsimile	32,148	32,792
Public service awards	16,936	38,683
Books and reports	15,215	17,606
Postage and couriers	10,108	7,452
Sundry expenses	7,138	8,327
Staff training and development	5,988	7,943
Advertising	2,896	9,925
	3,311,369	2,759,853
Operating deficit for the year	$ (41,635)	$ (45,453)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Accumulated Surplus

year ended March 31, 1998

	1998		
	Province of Nova Scotia	Utilities	Total
Balance, beginning of year (restated) . . . $	440,105 $	143,746 $	583,851
Operating (deficit) surplus for year	(43,183)	1,548	(41,635)
Balance, end of year . . . . $	396,922 $	145,294 $	542,216

	1997 (Restated)		
	Province of Nova Scotia	Utilities	Total
Balance, beginning of year . . . . $	417,422 $	132,119 $	549,541
Adjustments (Note 11).	58,228	21,535	79,763
Restated balance	475,650	153,654	629,304
Operating deficit for year	(35,545)	(9,908)	(45,453)
Balance, end of year . . . . $	440,105 $	143,746 $	583,851

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Capital Assets

year ended March 31, 1998

	Cost			Accumulated Depreciation				
	Balance Beginning of Year	Additions	Balance End of Year	Balance Beginning of Year	Expense	Balance End of Year	1998 Net Book Value	1997 Net Book Value
Funiture	$ 132,841	$ 10,337	$ 143,178	$ 86,550	$ 14,318	$ 100,868	$ 42,310	$ 46,291
Computer equipment	97,382	23,149	120,531	69,355	28,991	98,346	22,185	28,027
Computer software	---	2,151	2,151	---	717	717	1,434	---
Equipment	13,119	---	13,119	4,483	2,624	7,107	6,012	8,636
Leaseholds	97,734	4,134	101,868	32,578	34,645	67,223	34,645	65,156
Total	$ 341,076	$ 39,771	$ 380,847	$ 192,966	$ 81,295	$ 274,261	$ 106,586	$ 148,110

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Changes in Financial Position

year ended March 31, 1998

		1998		1997 (Restated)
Cash derived from (applied to)				
Operating				
Operating deficit	$	(41,635)	$	(45,453)
Depreciation		81,295		80,947
		39,660		35,494
Change in non-cash operating working capital				
Increase in accounts receivable		(78,051)		(5,743)
Increase in payables and accruals		4,990		58,516
Decrease in prepaids		2,975		775
Decrease (increase) in inventory		(5,261)		1,423
		(35,687)		90,465
Financing				
(Decrease) increase in short term investments		(64,575)		52,892
Decrease in War Service pension liability		(12,678)		(11,804)
(Decrease) increase in public service award liability		(15,887)		38,683
		(93,140)		79,771
Investing				
Purchase of capital assets		(35,637)		(51,561)
Purchase of leaseholds		(4,134)		(97,733)
		(39,771)		(149,294)
(Decrease) increase in cash		(168,598)		20,942
Cash (bank indebtedness)				
Beginning of year		22,138		1,196
End of year	$	(146,460)	$	22,138

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Notes to the Financial Statements

March 31, 1998

1. Incorporation

The Nova Scotia Utility and Review Board was created on December 14, 1992, through the proclamation of the Utility and Review Board Act, Chapter 11 of the Acts of 1992. The Board consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the Utility and Review Board Act. Section 15(1) of the Public Utilities Act requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles for the public sector.

b) Short term investments

Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

c) Capital Assets

Effective for the year ended March 31, 1998, the Board is required to capitalize fixed asset acquisitions and amortize them over their useful lives in a rational and systematic manner. This change in policy is a result of changes to the Public Sector Accounting and Auditing Handbook.

Capital assets purchased by the Board with a value greater than $1,000 and a useful life greater than one year will be capitalized and amortized over their useful lives on a straight lines basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years
Leasehold	the lesser of 5 years or the remaining life of the lease

4. Accounts Receivable

		1998		1997
Province of Nova Scotia	$	89,909	$	77,033
Public Utilities		43,085		---
Other		28,675		6,585
	$	161,669	$	83,618

5. Inventory

Inventory consists of Daily Bus Inspection books held for resale. Cost is determined using the first-in, first-out method of valuation.

6. Pensions

Public Service Superannuation Fund

Pursuant to Section 10 of the Utility and Review Board Act, all full time employees of the Board are entitled to receive pension benefits under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

War Service Pension Liability

Employees of the Board are entitled to purchase service credits for certain years of war service. Increases in an employee's pension as a result of the purchase of war service credits are the responsibility of the Board and are billed to the Board as pensions are paid. Employee pension contributions are used to defray future obligations for war service credits. The Board of Commissioners of Public Utilities, one of the predecessor boards, transferred its war service liability to the Nova Scotia Utility and Review Board on consolidation.

		1998		1997
The status of the liability account is as follows:				
Employee contributions	$	44,311	$	44,311
Accumulated interest		119,881		111,836
Amortization of unfunded liability		140,580		140,580
		304,772		296,727
Less: pension payments to date		135,811		115,088
	$	168,961	$	181,639

7. Public Service Award Liability

The Board follows the provision of the Civil Service Act with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

In addition to an annual general provision of approximately 1% of salary expenditures to defray future obligations for public service awards, the Board has established a specific liability for employees who are nearing retirement.

8. Advances for Working Capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	1998	1997
Province of Nova Scotia	$ 125,000	$ 125,000

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the Public Utilities Act. The advance is non-interest bearing, with no set terms of repayment.

9. Recoveries

Consultants are engaged by the Board pursuant to the Public Utilities Act to provide advice related to utility administration and expert evidence during hearings. Consulting fees for specific hearings may, in some cases, be recovered directly from the public utilities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

10. Commitments

The Nova Scotia Utility and Review Board has assumed the lease of the former Board of Commissioners of Public Utilities. The lease, which expires October 31, 1999, calls for the payment of a base rent plus the Board's portion of common costs such as maintenance, power, water and property taxes.

Minimum lease payments by fiscal year for the remaining lease term, not including common costs, are as follows:

1999	$ 213,048
2000	124,278
	$ 337,326

11. Change in Accounting Policy

The Nova Scotia Utility and Review Board has capitalized fixed assets in accordance with the new Public Sector Accounting and Auditing recommendations. This change has been applied retroactively and results in the following restatement of 1997 figures:

	Increase	Decrease
Capital assets	$ 148,110	$ —
Accumulated surplus	79,763	—
Operating surplus for the year	68,347	—
Leasehold improvements expense	—	97,733
Equipment expense	—	51,561
Depreciation	80,947	—

Unaudited

PROVINCE OF NOVA SCOTIA

NOVACO LIMITED

Balance Sheet

as at March 31, 1998

	1998	1997
Assets		
Current Assets		
Bank	$ 26,458	$ 51,458
Accrued interest	3,564	8,004
Investments		
Term deposit	512,910	491,800
Total Assets	$ 542,932	$ 551,262
Liability & Equity		
Current Liabilities		
Accounts payable	$ 144	$ 2,358
Long Term Liabilities		
Deferred provincial grant	332,905	332,905
Total Liabilities	$ 333,049	$ 335,263
Equity		
Capital Stock	5,000	5,000
Earnings		
Beginning retained earnings	$ 210,999	$ 186,171
Current earnings	(8,402)	(24,828)
Ending Retained Earnings	202,597	210,999
Prior Period Adjustment	2,286 (1)	---
Total Earnings	204,883	210,999
Total Equity	209,883	215,999
Total Liabilities/Equity	$ 542,932	$ 551,262

1) Prior period adjustment made for salary expense ($2,286) recorded in 1997 in error.

Unaudited

PROVINCE OF NOVA SCOTIA

NOVACO LIMITED

Income Statement

for the fiscal year ended March 31, 1998

	1998	1997
Revenue		
Investment income	$ 16,670	$ 27,186
Total revenue	$ 16,670	$ 27,186
Expenses		
Salaries	$ ---	$ 2,286
Corporate registration	72	72
Dept. of Finance (1)	25,000	---
Total Expenses	$ 25,072	$ 2,358
Net Income	$ (8,402)	$ 24,828

(1) Cheque #3406, dated April 8/98 Establishment of Novaco Long-term Disability (LTD) Fund.

Unaudited

PROVINCE OF NOVA SCOTIA

NOVACO LIMITED

Investment Income

for the year ending March 31, 1998

Purchase Date	Maturity Date	# Days	Interest Rate	Principal	Value Maturing	Interest	Total Interest
Oct. 17/96	Apr.4/97	169	3.6%	$491,800	$500,000	$194.03 (1)	$194.03
Apr. 4/97	May 5/97	30	2.9%	500,000	501,231.51	1,231.51	1,425.54
May 5/97	June 4/97	30	2.9%	501,231.51	502,426.23	1,194.72	2,620.26
June 4/97	July 4/97	30	2.8%	502,426.23	503,582.50	1,156.27	3,776.53
July 4/97	Aug. 5/97	32	2.9%	503,582.50	504,862.84	1,280.34	5,056.87
Aug. 5/97	Oct. 6/97	62	3.0%	504,862.84	507,435.57	2,572.73	7,629.60
Oct. 6/97	Nov.5/97	30	3.05%	507,435.57	508,707.63	1,272.06	8,901.66
Nov. 5/97	Feb. 3/98	90	3.35%	508,707.63	512,909.69	4,202.06	13,103.72
Feb. 3/98	Aug.3/98	180	4.45%	512,909.69	524,165.60	3,564.37 (2)	16,670.00

(1) Interest for 4 days, remaining 165 days accured in 1997 fiscal year.

(2) Accured interest for 57 days ($ 512,909.69 x 57 days x 4.45% = $ 3,564.37).

Unaudited

PROVINCE OF NOVA SCOTIA

NOVACO LIMITED

Notes to Financial Statements

Year ended March 31, 1998

1. Authority

Novaco Limited was incorporated under the Nova Scotia Companies Act in 1970. The Company provides an advisory role to Government with respect to all current and proposed coal mining operations, and may undertake surface coal mining operations that the Government wishes to undertake on its own behalf in the Province.

2. Accounting Policy

Land acquisition costs

All costs relating to land acquisition are expensed as project development costs in the year in which they are incurred.

3. Deferred Provincial Grant

The company has received $883,900 from the Province of Nova Scotia for the purpose of acquiring surface rights for new coal mining projects.

Details for these grants are as follows:

	1998	1997
Received to date	$ 883,900	$ 883,900
Expenditures to date	550,995	550,995
Balance , end of year	$ 332,905	$ 332,905

4. Land Reclamation Costs

The Articles of Association of the company require that a reclamation fund be established, separate from the operating accounts of the company, for the reclamation of lands disturbed by mining operations.

5. Future Operations

Novaco Limited has closed its office in Sydney Mines, Nova Scotia, has disposed of all of its fixed assets and is operating in a nominal manner. At the fiscal year end, the company was not engaged in any near-surface mining or reclamation operations and there were no approved sites for future operations. Novaco Limited's Take or Pay Agreement with Curragh Resources Inc. is no longer in effect due to the cancellation of the purchase and sale of coal contract between the Nova Scotia Power Corporation and Curragh Resources Inc.

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Chair and Members of the Provincial Community Pasture Board

I have audited the balance sheet of the Provincial Community Pasture Board as at March 31, 1998 and the statement of income and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1998 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
August 27, 1998

PROVINCE OF NOVA SCOTIA

PROVINCIAL COMMUNITY PASTURE BOARD

Balance Sheet

as at March 31, 1998

	1998	1997
ASSETS		
Current		
Accounts receivable (note 3)	$ 6,154	$ 5,641
Livestock - at lower of cost and net realizable value (cost - 1998 $27,225; 1997 $29,150) (Note 2)	15,400	14,000
	$ 21,554	$ 19,641
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ ---	$ 30
Retained Earnings	21,554	19,611
	$ 21,554	$ 19,641

PROVINCE OF NOVA SCOTIA

PROVINCIAL COMMUNITY PASTURE BOARD

Statement of Income and Retained Earnings

for the year ended March 31, 1998

	1998	1997
Revenues (Schedule A)	$ 67,830	$ 67,256
Expenses (Schedule A)	161,159	154,700
Net loss on pasture operations	93,329	87,444
Loss on livestock (Note 4)	5,655	5,966
Net loss before government contribution	98,984	93,410
Contribution by the Province of Nova Scotia	100,927	91,302
Net income (loss)	1,943	(2,108)
Retained earnings, beginning of year	19,611	21,719
Retained earnings, end of year	$ 21,554	$ 19,611

PROVINCE OF NOVA SCOTIA

PROVINCIAL COMMUNITY PASTURE BOARD

Notes to Financial Statements

March 31, 1998

1. Authority

The Provincial Community Pasture Board was established pursuant to Section 176(1) of the Agriculture and Marketing Act. The purpose of the Board is to establish, conduct and operate community pastures at such locations as the Board deems advisable.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging land, building and equipment acquisitions to expense in the year of purchase.

Livestock is comprised of breeding bulls on-hand at the end of the fiscal year. The bulls are valued at the lower of cost and net realizable value. The carrying-cost of bulls sold and any write-down of bulls to net realizable value is charged to expenses.

Further, under Section 183 of the Agriculture and Marketing Act, the administration costs of the Board are expenses of the Department of Agriculture and Marketing, and are not reflected in these financial statements.

3. Accounts Receivable

	1998	1997
Accounts receivable	$ 8,231	$ 5,641
Less: Allowance for doubtful accounts	2,077	—
	$ 6,154	$ 5,641

4. Loss on Livestock

	1998	1997
Sale of bulls	$ 2,469	$ 2,933
Carrying-cost of bulls sold	3,000	4,400
Loss on bulls sold	531	1,467
Write-down of bulls to net realizable value	3,375	3,950
Loss of bulls due to illness	1,749	549
	$ 5,655	$ 5,966

Schedule A

PROVINCE OF NOVA SCOTIA

PROVINCIAL COMMUNITY PASTURE BOARD

Pasture Operations

for the year ended March 31, 1998

	Cape Mabou	Cape John	Other	Totals 1998	Totals 1997
Revenues					
Pasture fees	$ 33,824	$ 33,596	$ ---	$ 67,420	$ 59,316
Pasture rentals	---	---	410	410	440
Sale of vehicle	---	---	—	---	7,500
	33,824	33,596	410	67,830	67,256
Expenses					
Bad debt expense	804	1,273	—	2,077	—
Bulls feed and care	3,493	4,137	—	7,630	8,481
Electricity	154	1,097	—	1,251	281
Equipment maintenance	267	3,206	—	3,473	3,195
Equipment purchases	---	---	14,500	14,500	22,373
Fencing	1,995	1,418	---	3,413	1,609
Fertilizer and lime	17,507	13,401	---	30,908	24,234
Insurance	861	860	—	1,721	1,628
Miscellaneous	1,180	800	—	1,980	1,200
Operating assistance	---	---	4,100	4,100	4,100
Supplies and services	17,939	16,923	29	34,891	33,019
Wages	27,288	27,927	—	55,215	54,580
	71,488	71,042	18,629	161,159	154,700
Net loss on pasture operations	$ 37,664	$ 37,446	$ 18,219	$ 93,329	$ 87,444

PROVINCE OF NOVA SCOTIA

PROVINCIAL RESORT HOTELS

Statement of User Fees and Expense

for the year ended March 31, 1998

	Pines Resort	Keltic Lodge	Liscombe Lodge	Totals 1998	Totals 1997
User Fees					
Rooms	$ 1,409,800	$ 1,466,312	$ 617,188	$ 3,493,300	$ 3,262,079
Food	1,079,800	1,429,520	566,330	3,075,650	2,761,678
Beverage	215,000	234,549	80,558	530,107	480,770
Other	536,400	303,082	174,915	1,014,397	851,822
	3,241,000	3,433,463	1,438,991	8,113,454	7,356,349
Expense					
Salaries & Wages	1,449,336	1,581,837	715,007	3,746,180	3,427,877
Travel	24,586	20,752	3,669	49,007	36,127
Supplies & Services	1,382,877	1,320,401	546,560	3,249,838	3,152,121
Other	312,237	424,383	173,626	910,246	563,592
	3,169,036	3,347,373	1,438,862	7,955,271	7,179,717
Operating Surplus	$ 71,964	$ 86,090	$ 129	$ 158,183	$ 176,632

Note: This financial statement reflects user fees and current expenditures of the Provincial Resorts budgeted under the Department of Economic Development and Tourism. $574,134 ($652,639 - 1997) in furniture and equipment purchases, is included in current expenditures.

The following is not included in this statement: $651,163 ($1,092,601 - 1997) in capital expenditures for construction, renovation and upgrading of facilities under Public Works and Special Projects (details of these expenditures are included in Volume 1 of the Public Accounts of the Province of Nova Scotia); $282,096 ($299,717 - 1997) for golf course maintenance at the Pines Resort accounted for by the Department of Transportation and Public Works; $91,784 ($206,693 - 1997) in maintenance costs accounted for by the Department of Transportation and Public Works.

AUDITOR'S REPORT

To the Board of Trustees of
The Public Archives of Nova Scotia

We have audited the balance sheet of The Public Archives of Nova Scotia as at March 31, 1998 and the statements of revenue and expenditures, surplus accounts and cash flows for the year then ended. These financial statements are the responsibility of the Archives' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Archives as at March 31, 1998 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

PRICE, WATERHOUSE, COOPERS
Chartered Accountants

August 20, 1998

PROVINCE OF NOVA SCOTIA

PUBLIC ARCHIVES OF NOVA SCOTIA

Balance Sheet

as at March 31, 1998

	Endowment/ Restricted Fund, Collections	Restricted Fund, Publishing	Operating Fund	1998 Total	1997 Total
ASSETS					
Current Assets					
Cash	$ ---	$ ---	$ 21,905	$ 21,905	$ 61,630
Marketable securities	25,781	28,041	123,039	176,861	78,435
Amount held in trust by Province of Nova Scotia	62,508	---	---	62,508	79,090
Amounts receivable	---	225	80,830	81,055	21,700
	88,289	28,266	225,774	342,329	240,855
Capital assets (Note 4)	---	---	143,746	143,746	102,289
	$ 88,289	$ 28,266	$ 369,520	$ 486,075	$ 343,144

PROVINCE OF NOVA SCOTIA

PUBLIC ARCHIVES OF NOVA SCOTIA

Balance Sheet (Continued)

as at March 31, 1998

	Endowment/ Restricted Fund, Collections	Restricted Fund, Publishing	Operating Fund	1998 Total	1997 Total
LIABILITIES					
Current liabilities					
Amounts payable	$ ---	$ ---	$ 27,819	$ 27,819	$ 6,904
Interfund payable (receivable)	474	958	(1,432)	---	---
Amount due to Nova Scotia Records Management, non-interest bearing with no fixed terms of repayment	---	---	63,940	63,940	11,200
	474	958	90,327	91,759	18,104
Deferred contributions (note 5)	21,715	27,308	---	49,023	46,864
	$ 22,189	$ 28,266	$ 90,327	$ 140,782	$ 64,968
Commitment (note 6)					
SURPLUS					
Surplus accounts					
Endowments	$ 66,100	$ ---	$ ---	$ 66,100	$ 66,100
Invested in capital assets	---	---	143,746	143,746	102,289
Unrestricted	---	---	135,447	135,447	109,787
	66,100	---	279,193	345,293	278,176
	$ 88,289	$ 28,266	$ 369,520	$ 486,075	$ 343,144

PROVINCE OF NOVA SCOTIA

PUBLIC ARCHIVES OF NOVA SCOTIA

Statement of Revenue and Expenditures

for the year ended March 31, 1998

	Endowment/ Restricted Fund, Collections	Restricted Fund Publishing	Operating Fund	1998 Total	1997 Total
Revenue					
Government of Nova Scotia (salaries and benefits)	$ ---	$ ---	$ 1,020,546	$ 1,020,546	$ 1,113,867
Government of Nova Scotia (operating grant)	---	---	319,454	319,454	297,214
Government of Nova Scotia (collections grant)	60,000	---	---	60,000	---
Other funding	---	---	82,419	82,419	132,032
Sales, publication, etc.	---	---	42,991	42,991	25,215
Investment income (Note 7)	---	---	3,827	3,827	2,286
Restricted funds, collections and publishing	2,126	958	---	3,084	38,653
	62,126	958	1,469,237	1,532,321	1,609,267
Expenses					
Acquisitions, collections and publishing	62,126	958	---	63,084	39,153
Amortization	---	---	40,456	40,456	26,987
Building maintenance	---	---	49,754	49,754	38,186
Conferences and seminars	---	---	7,515	7,515	4,640
Electricity	---	---	77,039	77,039	72,286
Equipment repair and maintenance	---	---	21,737	21,737	18,350

PUBLIC ARCHIVES OF NOVA SCOTIA

Statement of Revenue and Expenditures (Continued)

for the year ended March 31, 1998

	Endowment/ Restricted Fund, Collections	Restricted Fund Publishing	Operating Fund	1998 Total	1997 Total
Freight and express	---	---	2,529	2,529	2,525
General operating	---	---	35,349	35,349	29,962
Heating fuel	---	---	14,595	14,595	24,089
Membership dues	---	---	1,173	1,173	1,283
Miscellaneous	---	---	19,196	19,196	3,781
Other services	---	---	35,544	35,544	52,368
Postage	---	---	2,124	2,124	5,048
Printing and stationery	---	---	11,374	11,374	26,522
Professional services	---	---	6,616	6,616	32,735
Records management	---	---	1,818	1,818	---
Rentals	---	---	1,001	1,001	1,161
Salaries and benefits	---	---	1,020,546	1,020,546	1,113,867
Security	---	---	13,623	13,623	9,742
Staff training	---	---	390	390	1,255
Subscriptions and periodicals	---	---	6,930	6,930	9,654
Telecommunications	---	---	19,550	19,550	23,625
Travel	---	---	8,686	8,686	8,201
Water	---		4,575	4,575	4,083
	62,126	958	1,402,120	1,465,204	1,549,503
Excess of revenue over expenditures for the year	$ ---	$ ---	$ 67,117	$ 67,117	$ 59,764

PROVINCE OF NOVA SCOTIA

PUBLIC ARCHIVES OF NOVA SCOTIA

Statement of Changes in Surplus Accounts

for the year ended March 31, 1998

	Endowment/ Restricted Fund, Collections	Restricted Fund Publishing	Operating Fund	1998 Total	1997 Total
Surplus accounts - beginning of year (as restated, note 3)	$ 66,100	$ ---	$ 212,076	$ 278,176	$ 218,412
Excess of revenue over expenditures	---	---	67,117	67,117	59,764
Surplus accounts - end of year	$ 66,100	$ ---	$ 279,193	$ 345,293	$ 278,176
Represented by					
Endowments	$ 66,100	$ ---	$ ---	$ 66,100	$ 66,100
Invested in capital assets	---	---	143,746	143,746	102,289
Unrestricted funds	---	---	135,447	135,447	109,787
	$ 66,100	$ ---	$ 279,193	$ 345,293	$ 278,176

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA

THE PUBLIC ARCHIVES OF NOVA SCOTIA

Statement of Cash Flows

for the year ended March 31, 1998

	1998	1997
Cash flows from operating activities		
Excess of revenue over expenditures for the year	$ 67,117	$ 59,764
Amortization, not involving cash	40,456	26,987
	107,573	86,751
Net change in non-cash working capital balances related to operations	14,300	(19,928)
	121,873	66,823
Cash flows from financing activities		
Increase (decrease) in deferred contributions	2,159	(29,107)
Cash flows from investing activities		
Purchase of capital assets	(81,913)	(12,239)
Increase in cash, marketable, securities and amount held in trust during the year	42,119	25,477
Cash, marketable securities and amount held in trust - beginning of year	219,155	193,678
Cash, marketable securities and amount held in trust - end of year	$ 261,274	$ 219,155
Cash, marketable securities and amount held in trust consist of:		
Cash	21,905	61,630
Marketable securities	176,861	78,435
Amount held in trust by Province of Nova Scotia	62,508	79,090
	$ 261,274	$ 219,155

PROVINCE OF NOVA SCOTIA

THE PUBLIC ARCHIVES OF NOVA SCOTIA

Notes to the Financial Statements

for year ended March 31, 1998

1. Status and Nature of Activities

The Public Archives of Nova Scotia (the "Archives") is an agency incorporated by Act of the Legislature of the Province of Nova Scotia and is primarily responsible for preserving the corporate memory of government and documentary heritage of the Province. The archives is both a deposit library for publications of the Government of Nova Scotia and an historical research facility.

2. Summary of Significant Accounting Policies

The accounting policies of the Archives are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

(a) Use of management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and movements of funds during the year. Actual results could differ from these estimates.

(b) Fund accounting

The Archives uses fund accounting to prepare its financial statements. In prior years, the Archives, although maintaining three funds, the operating fund, the restricted fund - publishing, and the endowment/restricted fund - collections, only reported on the operating fund. Fund balances include balances investment in endowments, capital assets and unrestricted balances.

The operating fund accounts for the Archives operations, delivery of services and capital assets.

The restricted fund, publishing accounts for contributions, revenue and expenditures externally restricted for publishing.

The endowment/restricted fund, collections accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

(c) Financial instruments

Financial instruments are stated at cost, or at cost less amounts written off to reflect a permanent decline in value, and where there is a fixed rate of return, accrued interest is included in book value. The fair value of these financial instruments approximate their carrying values, due to the short-term and/or the fixed nature of these instruments.

(d) Revenue recognition

The Archives follows the deferral method of accounting for contributions, which include designated contributions from the public, bequests and Government support.

Unrestricted contributions are recognized as revenue when received or receivable to the extent that amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions other than endowment contributions are recognized as revenue in the year in which related expenditures are incurred. Endowment contributions are recognized as direct increases in the endowment/restricted fund, collections surplus account.

(e) Capital assets

Purchased capital assets are recorded at cost. When a capital asset no longer contributes to the Archives' ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized using the declining balance method at the following rates:

Computer	20%
Computer software	100%
Furniture and Equipment	20%

One-half year's amortization is taken in the year of acquisition.

Leasehold improvements are being amortized using the straight-line method over 10 years.

(f) Collections

The Archives' collections include textual paper records, documents, photographic, images, maps, architectural plans, moving image materials, sound recordings and microforms. The date range of the collections is 1702 to 1998.

The cost of determining the value of existing collections exceeds the incremental benefit and therefore the Archives expenses all acquisitions in the period they are incurred.

Significant additions during the year:

(i) Nova Scotia Teachers College fonds (accrual), [ca, 1969-1996], 4.8 meters;
(ii) Wallace R. MacAskill fonds (accrual), 669 photographic negatives, 1386 prints, 60 slides, 1 album;
(iii) Gilpin family fonds, [ca.20] artworks by Gilpin family members;
(iv) Maurice R. Crosby Photography Ltd. fonds, 1940-1990, 92 cm., photographic negatives and prints;
(v) Edward Mortimer MacDonald fonds (18 cm.); and
(vi) Lister-Spicer fonds (2.5m.).

During the year ended March 31, 1998, the Archives has acquired and expensed collections of $63,084 (1997 - $35,638).

3. Restatement as a Result of Accounting Policy Changes

On April 1, 1997, the Archives retroactively adopted the accounting recommendations of the Canadian Institute of Chartered Accountants Handbook for Not-for-Profit Organizations wherever possible and prospectively adopted the recommendations where retroactive adoption was not possible. Following is the detail supporting the adjustments to opening surplus balances with explanatory notes:

	Endowment/ Restricted Fund, Collections	Restricted Fund Publishing	Operating Fund	1998 Total	1997 Total
Surplus accounts Beginning of year (as originally reported) .	$ ---	$ ---	$ 64,630	$ 64,630	$ 48,236
Set-up of fund balance, not previously reported (a) .	66,100	---	---	66,100	66,100
Restatement of net book value of capital assets (b) . . .	---	---	102,289	102,289	117,037
Conversion to accrual basis accounting (c)	---	---	45,157	45,157	(12,961)
	66,100	- -	147,446	213,546	170,176
Surplus accounts - beginning of year (as restated) . .	$ 66,100	$ ---	$ 212,076	$ 278,176	$ 218,412

(a) The endowment/restricted fund, collections was not previously reported by the Archives as these balances were not required by the Board of Trustees or for the accounting recommendations of the Canadian Institute of Chartered Accounts.

(b) The Archives retroactively changed its method of accounting for capital assets to that described in note 2(e).

(c) During the year, the Archives retroactively changed from the cash basis of accounting to the accrual basis.

4. Capital Assets

	Cost	Accumulated Amortization	1998 Net	1997 Net
Computer equipment......	$ 64,497	$ 34,875	$ 29,622	$ 27,214
Computer software........	40,879	26,730	14,149	609
Furniture and Equipment...	229,428	136,012	93,416	74,466
Leasehold improvements...	7,288	729	6,559	---
	$ 342,092	$ 198,346	$ 143,746	$ 102,289

5. Deferred Contributions

(a) Deferred contributions in the Endowment/ Restricted Fund, Collections related to expenses of future periods represent unspent externally restricted investment income earned on the endowment contributions. These unspent amounts are as follows:

	1998	1997
Balance - beginning of year...........................	$ 19,115	$ 41,433
Add: Interest received in the year.....................	4,726	7,930
Less: Disbursements in the year......................	(2,126)	(30,248)
Balance -end of year...............................	$ 21,715	$ 19,115

(b) Deferred contributions in the Restricted Fund, Publishing related to expenses of future periods represent unspent externally restricted contributions as follows:

	1998	1997
Balance - beginning of year...........................	$ 27,749	$ 34,538
Add: Interest received in the year.....................	517	1,616
Less: Disbursements in the year......................	(958)	(8,405)
Balance -end of year...............................	$ 27,308	$ 27,749

6. Commitment

The Archives has a contract with an energy management firm. Under the terms of this contract, the Archives is committed to paying fees relating to annual energy savings which resulted from energy performance improvements made under the contract.

The estimated minimum payments required over the next five years, based on current information, are as follows:

Year ending March 31, 1999	$	25,399
2000	$	25,399
2001	$	25,399
2002	$	25,399
2003	$	25,399

7. Investment Income

Investment income is detailed as follows:

	1998	1997
Income earned on unrestricted resources	$ 3,827	$ 2,286
Income earned on resources held for endowment	4,726	7,930
Income earned on restricted resources	517	1,616
	9,070	11,832
Less amounts deferred -		
Restricted for publishing	(517)	(1,616)
Restricted for collections	(4,726)	(7,930)
	(5,243)	(9,546)
Total investment income recognized as revenue	$ 3,827	$ 2,286

8. Related Party Transactions

(a) The Archives occupies a building at no charge that is owned by the Province of Nova Scotia.

(b) The Archives collected $52,740 (1997-$11,200) on behalf of Nova Scotia Records Management.

9. Subsequent Event

Legislation has been drafted which would result in a merger of The Public Archives of Nova Scotia with Nova Scotia Records Management. The effect of this would be an increase in the Archives' level of provincial government funding and its corresponding staff complement. The legislation is expected to be introduced as soon as possible, with subsequent passage anticipated during 1998-99 fiscal year.

10. Comparative Figures

Certain of the previous year's numbers have been reclassified to conform with the presentation adopted in the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits and surplus of the Nova Scotia Public Service Superannuation Fund as at March 31, 1998 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus of the Fund as at March 31, 1998 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 6, 1998

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Statement of Net Assets Available for Benefits

and Accrued Pension Benefits

as at March 31, 1998

	1998	1997
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 3)	$ 2,744,488	$ 2,250,328
Contributions receivable		
Employees'	2,412	2,189
Employers'	2,399	2,181
Accrued income	20,591	15,903
Cash	1,881	348
Total Assets	2,771,771	2,270,949
Liabilities		
Net investment transactions outstanding	16,413	3,918
Accounts payable	13,148	12,016
Total Liabilities	29,561	15,934
Net Assets Available for Benefits	2,742,210	2,255,015
Actuarial asset value adjustment (Note 4)	1,367	1,264
Actuarial value of net assets available for benefits	$ 2,743,577	$ 2,256,279
ACCRUED PENSION BENEFITS AND SURPLUS		
Accrued pension benefits	$ 2,248,200	$ 2,123,100
Surplus (Note 5)	495,377	133,179
Accrued pension benefits and surplus	$ 2,743,577	$ 2,256,279

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Statement of Changes in Net Assets Available for Benefits

for the year ended March 31, 1998

	1998	1997
	(in thousands)	
Increase in Assets		
Investment activities (Note 3)	$ 562,221	$ 359,152
Contributions		
Employers'- matched	28,663	28,618
Employees' - matched	28,663	28,618
Employees' - unmatched	127	239
Interest on the purchase of prior years' service	1,156	1,351
Transfers from other pension plans	440	1,623
	59,049	60,449
Total increase in assets	621,270	419,601
Decrease in Assets		
Benefits paid	118,088	110,321
Operating expenses (Note 6)	4,807	3,898
Refund of contributions and interest	1,757	1,222
Transfers to other pension plans	9,423	7,142
Total decrease in assets	134,075	122,583
Increase in Net Assets	487,195	297,018
Net Assets Available for Benefits at Beginning of Year	2,255,015	1,957,997
Net Assets Available for Benefits at End of Year	$ 2,742,210	$ 2,255,015

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Notes to Financial Statements

March 31, 1998

1. Authority and Description of Plan

The Public Service Superannuation Fund was established by the Public Service Superannuation Act. It is the funding vehicle for the Public Service Superannuation Plan, a pension plan which covers employees of the Province and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 5.4% of salary up to the Year's Maximum Pensionable Earnings (YMPE) per the Canada Pension Plan (CPP) and 7% of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay and deferred pensions are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada to a maximum of 6%.

Plan members are eligible for a pension upon meeting any of the following criteria:

- age 50 with an age plus pensionable service factor of 80 - "Rule of 80" (active members only);
- age 55 with two years of service (reduced pension);
- age 55 with an age plus pensionable service factor of 85 -"Rule of 85" (deferred pensioners);
- age 60 with two years of service;
- age 65

On February 8, 1994, the Governor in Council authorized an Early Retirement Incentive Program (ERIP) for Plan members. The program provided up to an additional five years of pensionable service for those meeting the "Rule of 80" but who are less than 65 years of age and have less than 35 years of pensionable service, between April 1, 1994 and March 31, 1998, the expiry of the program. The additional cost for each person who participated in the ERIP is paid by the Province from the Consolidated Fund or by the participating employer. On April 10, 1996, the Governor in Council amended the ERIP to provide up to an additional two years of pensionable service for those who were at least 60 years of age and had a minimum of 10 years of pensionable service. This program also expires on March 31, 1998 and is funded by the Province and participating employers. From April 21, 1994 to March 31, 1998 approximately 2,200 people participated in the ERIP.

Certain pension payments are attributable to previous early retirement programs and other unfunded benefits. They are charged to the Consolidated Fund of the Province and participating employers and are not paid from the Fund. These payments amounted to $13,857,000 for the year ended March 31, 1998 (1997 - $12,437,000).

On March 17, 1998, the Province represented by the Minister of Finance, entered into an agreement with the Nova Scotia Government Employees' Union (NSGEU) regarding a pension contribution holiday for both the employees and the Province for 1997-98 year.

On June 18, 1998, payments totaling $30.0 million were made by the Province pursuant to the agreement with the NSGEU. As of the date of these statements, legislation has not yet been passed to enable the Province to recover this amount from the fund. If legislation is passed, the pension fund will have a liability to the Province and other employers of approximately $60.0 million.

An Order in Council approved on August 5, 1998 authorized a one-time increase effective July 1, 1998 in the pre-1984 pension benefits payable to compensate for a loss in purchasing power. The present value of the increase is approximately $14.7 million.

2. Summary of Significant Account Policies

(a) Basis of Presentation

These financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with generally accepted accounting principles.

(b) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in unrealized investment income.

(c) Investments

(i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(ii) The derivative contracts held by the Fund are recorded at the market value with the resulting gains or losses being recognized in unrealized investment income.

(iii) Investments include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of $84.7 million (3.1% of Total Assets) as at March 31, 1998.

3. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employers. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effects of derivative contracts.

	1998			1997		
	Asset	%	Income*	Asset	%	Income*
			(in thousands)			
Money market........	$ 254,621	9.3%	$ 8,069	$ 220,830	9.8%	$ 6,795
Fixed income.........	851,460	31.0%	99,221	775,401	34.5%	98,744
Equities - Canadian..	1,102,272	40.2%	277,837	826,680	36.7%	169,965
- US.......	246,130	9.0%	94,622	209,462	9.3%	34,272
- Other foreign....	277,939	10.1%	43,648	227,237	10.1%	27,824
Derivatives..........	12,066	0.4%	38,764	(9,282)	-0.4%	21,481
Other................	—	0.0%	60	—	0.0%	71
	$ 2,744,488	100%	$ 562,221	$ 2,250,328	100%	$ 359,152

* Includes realized gains of $141.4 million ($93.6 - 1997) and unrealized gains of $310.3 million ($137.1 million - 1997).

(b) Derivative contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy. Money market-to-equity swaps have been used during the year to adjust the asset mix. Foreign currency forwards have been used to manage the foreign currency exposure inherent in the foreign investments. Section (f) of this note provides a summary of these contracts as at March 31, 1998.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 1998. Notional amounts of derivative contracts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such transactions but serve as the basis upon which the return from and market value of the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

(in thousands)

Notional Principal	**Original Term**	**Credit Rating of Counter-party**	**Equity Index**	**BA index**	**Market Value**
$ 43,684	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	$ 1,962
32,840	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	6,782
43,104	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	2,222
14,184	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	1,514
24,391	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	1,832
24,667	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	1,532
$ 182,870					$ 15,844

(c) Market value of investments and related income after allocating the effect of derivative contracts.

(in thousands)

	1998			1997		
	Assets	**%**	**Income***	**Asset**	**%**	**Income***
Money market . . . . $	95,872	3.5% $	3,672 $	108,754	4.8% $	4,013
Fixed income	826,460	30.1%	97,679	727,901	32.4%	96,465
Equities - Canadian	1,301,865	47.4%	327,135	976,974	43.4%	194,185
- US	244,241	8.9%	92,733	209,462	9.3%	35,433
- Other foreign .	276,050	10.1%	40,942	227,237	10.1%	28,985
Other	---	0.0%	60	---	0.0%	71
	$ 2,744,488	100% $	562,221 $	2,250,328	100% $	359,152

* Includes realized gains of $141.4 million ($93.6 million - 1997) and unrealized gains of $310.3 million ($137.1 million - 1997).

(d) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the plan's assets cash flows related to the plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the plan has established a policy asset mix of approximately 60% equities and 40% fixed income securities. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates. At March 31, 1998 the $851,460,000 fixed income securities had a modified duration of 6.12 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 6.12 %.

(e) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's foreign currency exposure is summarized in the following table.

Currency	**Gross Exposure**	**Net Foreign Currency Hedge** (in thousands)	**Net Exposure**
Canada $	2,217,282 $	172,675 $	2,389,957
Germany	21,836	(8,073)	13,763
Japan	18,564	(3,893)	14,671
United Kingdom	35,830	(22,541)	13,289
United States	274,508	(113,222)	161,286
Other	186,305	(28,053)	158,252
Total $	2,754,325 $	(3,107) $	2,751,218

4. Actuarial Asset Value Adjustment

The actuarial asset value adjustment of $1,367,000 ($1,264,000 - 1997) represents the present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

5. Actuarial Valuation

Actuarial valuations of the Public Service Superannuation Fund are carried out at least every three years and provide an estimate of the accrued pension benefits (fund liabilities) as at the valuation date, calculated on the basis of various assumptions with respect to pension costs and rates of return on investments. The calculations are updated in intervaluation years. The last full valuation of the Public Service Superannuation Fund was carried out by the Plan's consulting actuary, Morneau, Coopers & Lybrand at December 31, 1996, and reported upon July 31, 1997.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected 5 year average salary at the expected date of retirement. The major economic and demographic assumptions used in the last full valuation were as follows:

Inflation	3.5% per annum
Average Salary Increase	0.5% real plus 1.0% merit increases
Real Rate of Return on Investment	4.5% per annum
Average Retirement Age	60 years

The valuation as at December 31, 1996 indicated that the plan had a surplus of $149.9 million compared to a deficit of $134.8 million as at March 31, 1995. A projection to March 31, 1998 indicated a surplus of $495 million, prior to consideration of a proposed contribution holiday for 1997-98 (see note 1). The main reason for the improvement in the actuarial position is favourable experience relative to actuarial assumption in rates of return on investments.

6. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	1998	**1997**
	(in thousands)	
Investment management fees	$ 3,997	$ 3,220
Professional services	113	81
Salaries	523	471
Supplies and services	103	62
Travel	27	30
Other	44	34
	$ 4,807	$ 3,898

7. Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. Management and the Province of Nova Scotia have initiated certain steps aimed at identifying the scope and alternative resolutions for the issue and it is acknowledged that additional efforts will be required to address the issue. It is not possible to be certain that all aspects of the year 2000 Issue affecting the Plan, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Minister of Justice; and
To the Public Trustee

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 1998 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust actually came under the administration of the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of the assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 1998 and the continuity of assets for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 7, 1998

PROVINCE OF NOVA SCOTIA

PUBLIC TRUSTEE

Balance Sheet

as at March 31, 1998

	1998	1997
ASSETS		
Estates and Trusts		
Cash	$ 514,168	$ 297,231
Securities, real estate and other assets	16,378,059	13,942,076
Common Fund securities (Note 4)	1,178,800	935,000
	18,071,027	15,174,307
Special Reserve Fund (Note 5)		
Cash and securities	1,018,033	971,184
	$ 19,089,060	$ 16,145,491
LIABILITIES		
Estates and Trusts		
Estates and trusts balances	$ 18,071,027	$ 15,174,307
Special Reserve Fund (Note 5)		
Restricted funds	971,151	915,943
Funds transferable to Province of Nova Scotia	46,882	55,241
	1,018,033	971,184
	$ 19,089,060	$ 16,145,491

PROVINCE OF NOVA SCOTIA

PUBLIC TRUSTEE

Statement of Continuity of Assets

for the year ended March 31, 1998

	Estates and Trusts	Special Reserve Fund	Fees Earned	1998 Total	1997 Total
Balance, beginning of year	$ 15,174,307	$ 971,184	$ —	$ 16,145,491	$ 14,650,697
Add:					
Assets acquired during the year	9,785,990	—	—	9,785,990	7,984,126
Income earned	806,851	—	—	806,851	710,625
Fees earned	—	—	369,413	369,413	326,404
Interest earned on Special Reserve Fund investments	—	46,882	—	46,882	55,241
Excess interest transferred from Common Fund	—	55,208	—	55,208	67,227
	10,592,841	102,090	369,413	11,064,344	9,143,623
Less:					
Distributions of estates and trusts	7,463,348	—	—	7,463,348	6,989,146
Transfers to the Province					
Fees	—	—	369,413	369,413	326,404
Undistributable estates and trusts (per Section 28)	232,773	—	—	232,773	278,649
Investment income earned on Special Reserve Fund	—	55,241	—	55,241	54,630
	7,696,121	55,241	369,413	8,120,775	7,648,829
Balance, end of year	$ 18,071,027	$ 1,018,033	$ —	$ 19,089,060	$ 16,145,491

PROVINCE OF NOVA SCOTIA

PUBLIC TRUSTEE

Notes to Financial Statements

March 31, 1998

1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

a) Securities consist of bonds, debentures, stocks and deposit certificates. Securities purchased by the Public Trustee are valued at cost. Securities taken over by the Public Trustee are valued at face value or market value.

b) The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. These assets are valued and recorded in the financial records at an estimated market value at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of $1.

c) The Office of the Public Trustee uses a modified cash basis of accounting. These financial statements do not include accrued interest receivable on investments.

d) Administration expenses of the Office of the Public Trustee are provided for by the general administration vote of the Department of Justice. Rent is paid by the Department of Transportation and Public Works. These expenses are not reflected in the statement of continuity of assets (see Note 3).

3. Operating Costs

Certain operating costs are absorbed by various government departments and are not reflected in the statement of continuity of assets. These costs of operating the Office of the Public Trustee are offset by fees charged for administering estates and by investment income.

	1998	1997
Department of Justice		
- Salaries and benefits	$ 522,609	$ 520,996
- Other operating costs	32,024	36,504
Department of Transportation and Public Works		
- Rent	49,107	53,591
	603,740	611,091
Less transfers to Province		
- Fees	369,413	326,404
- Special Reserve Fund income	55,241	54,630
	424,654	381,034
Net cost to the Province	$ 179,086	$ 230,057

4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at cost.

5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer annually to the Province. The remainder of the Fund is restricted to the purposes described above.

6. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Office of the Public Trustee, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Office's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Office, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

AUDITORS' REPORT

To the Board of Directors of
Queen Elizabeth II Health Sciences Centre

We have audited the statement of financial position - operating and capital fund of the Queen Elizabeth II Health Sciences Centre ("QEII") as at March 31, 1998 and the statements of fund balances, revenues and expenditures, and changes in financial position for the year then ended. These financial statements are the responsibility of the QEII's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the QEII as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

ERNST & YOUNG
Chartered Accountants

Halifax, Canada
June 23, 1998

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Financial Position - Operating and Capital Fund

as at March 31, 1998

(in thousands)

	Operating Fund	Capital Fund	Total 1998	Total 1997 (restated - Note 3)
ASSETS				
Current				
Cash and short-term investments	$ ---	$ ---	$ ---	$ 21
Investment held in trust	500	---	500	500
Accounts receivable	19,870	---	19,870	14,729
Due from (to) other funds	45,798	(45,798)	---	---
Inventories (note 5)	7,423	---	7,423	5,154
Prepaid expenses	4,839	---	4,839	1,914
	78,430	(45,798)	32,632	22,318
Restricted cash and short-term investments (Notes 2 and 9)	10,488	---	10,488	7,228
	88,918	(45,798)	43,120	29,546
Due from Workers' Compensation Board (Note 13)	---	---	---	3,967
Deferred charge (Note 7)	8,479	---	8,479	2,144
Capital assets (Notes 3 and 6)	---	208,030	208,030	200,811
	$ 97,397	$ 162,232	$ 259,629	$ 236,468
LIABILITIES				
Current				
Bank indebtedness	$ 26,051	$ ---	$ 26,051	$ 14,519
Accounts payable and accrued liabilities	51,695	---	51,695	52,412
Due to (from) Nova Scotia Government Department of Health (Note 4)	35,622	---	35,622	(4,357)
Due to Nova Scotia Government Department of Finance	---	---	---	3,449
Deferred revenue (Note 8)	14,843	---	14,843	10,854
Current portion of long-term debt (Note 10)	---	112	112	97
	128,211	112	128,323	76,974
Restricted liabilities (Notes 2 and 09)	10,488	---	10,488	7,228
	138,699	112	138,811	84,202
Long-term debt (Note 10)	---	---	---	113
	138,699	112	138,811	84,315

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Financial Position - Operating and Capital Fund (Cont'd)

as at March 31, 1998

	Operating Fund	Capital Fund (in thousands)	Total 1998	Total 1997
FUND BALANCE				
Operating deficiency	(42,736)	—	(42,736)	(16,524)
Surplus retention	1,434	—	1,434	1,434
Investment in capital assets	---	162,120	162,120	167,243
	(41,302)	162,120	120,818	152,153
	$ 97,397	$ 162,232	$ 259,629	$ 236,468

Contingencies and commitments (Notes 11, 12, 13 and 15)

See accompanying notes

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Fund Balances

year ended March 31, 1998

OPERATING FUND	1998	1997 (restated - Note 3)
	(in thousands)	
Balance, beginning of year as previously reported	$	$ (9,369)
Change in accounting policy (note 3)		6,640
Balance, beginning of year as restated	(16,524)	(2,729)
Net operating expenditures over revenue	(26,212)	(13,795)
Balance, end of year	$ (42,736)	$ (16,524)

SURPLUS RETENTION FUND

	1998	1997
Balance, beginning and end of year	$ 1,434	$ 1,434

INVESTMENT IN CAPITAL ASSETS

	1998	1997
Capital Funding, beginning of year as previously reported	$	$ 124,315
Change in accounting policy (note 3)		70,333
Capital funding, beginning of year as restated	215,815	194,648
Capital funding for the year (Schedule C)	7,860	21,167
	223,675	215,815
Accumulated amortization of capital funding, beginning of year as previously reported	—	—
Change in accounting policy (note 3)	—	(37,438)
Accumulated amortization of capital funding, beginning of year as restated	(48,572)	(37,438)
Amortization of capital funding for the year	(12,983)	(11,134)
Accumulated amortization of capital funding, end of year	(61,555)	(48,572)
Balance, end of year	162,120	167,243
Total	$ 120,818	$ 152,153

See accompanying notes

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Revenues and Expenditures

Operating Fund

year ended March 31, 1998

	1998	1997 (restated - Note 3)
	(in thousands)	
Patient Care		
Revenues (Schedule A)	$ 310,607	$ 295,267
Expenditures (Schedule B)	336,318	313,830
	(25,711)	(18,563)
Affiliated programs		
Revenues (Schedule A)	18,787	14,676
Expenditures (Schedule B)	15,737	15,167
	3,050	(491)
Environmental		
Revenues (Schedule A)	2,632	2,804
Expenditures (Schedule B)	6,609	2,804
	(3,977)	---
Results from operating activities	(26,638)	(19,054)
Research		
Revenues (Schedule A)	11,204	6,928
Expenditures (Schedule B)	7,944	6,753
	3,260	175
Opening balance	7,228	7,053
Ending funds available for research	10,488	7,228
Funds committed to future periods	10,488	7,228
	---	---
Other		
Revenues (Schedule A)	10,466	17,025
Expenditures (Schedule B)	10,040	11,766
	426	5,259
Net expenditures over revenues	$ (26,212)	$ (13,795)

See accompanying notes

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Changes in Financial Position

year ended March 31, 1998

	1998	1997 (restated - Note 3)
	(in thousands)	
OPERATING ACTIVITIES		
Net expenditures over revenues - operating fund	$ (26,212)	$ (13,795)
Items not requiring cash		
Depreciation	17,596	12,400
Amortization of capital funding	(12,983)	(11,134)
Changes in non-cash working capital items (Schedule D)	29,467	13,844
Cash used in operating activities	7,868	1,315
FINANCING ACTIVITIES		
Capital funding (Schedule C)	7,860	21,167
Repayment of long-term debt	(98)	(220)
Decrease in due from Workers' Compensation Board	3,967	19
Cash provided by financing activities	11,729	20,966
INVESTING ACTIVITIES		
Capital assets acquired (Schedule C)	(24,815)	(50,460)
Increase in deferred charge	(6,335)	(2,144)
Disposal of capital assets	---	474
Cash used in investing activities	(31,150)	(52,130)
Restricted Funding	3,260	175
Net cash outflow during the year	(8,293)	(29,674)
Cash position, beginning of year	(6,770)	22,904
Cash position, end of year	$ (15,063)	$ (6,770)
The cash position, end of year is comprised as follows:		
Cash and short-term investments	$ —	$ 21
Bank indebtedness	(26,051)	(14,519)
Investments held in trust	500	500
Restricted cash and short-term investments	10,488	7,228
	$ (15,063)	$ (6,770)

See accompanying notes

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Notes to the Financial Statements

year ended March 31, 1998

1. **Queen Elizabeth II Health Sciences Centre**

On July 8, 1994, the Province of Nova Scotia announced the formation of the Queen Elizabeth II Health Sciences Centre ("QEII"). An act of the Legislation of the Province of Nova Scotia, proclaiming the incorporation of the QEII, was passed on February 27, 1996.

The QEII is dedicated to the provision of exemplary health care through the integration of patient care, teaching and research within a compassionate and caring Centre community, in partnership with other providers. It is the principal centre for the provision of these services in the Maritime Provinces.

The QEII is a non profit entity and, as such, is exempt from income tax.

2. **Significant Accounting Policies**

Fund Accounting

The QEII maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activity from capital activity.

The Operating Fund contains the non-capital operating assets, liabilities, revenues and expenditures of the QEII related to the provision of hospital services.

The Capital Fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Investments

Investments are stated at cost.

Inventories

Inventories are stated at cost, being the lower of cost and net realizable value.

Capital Assets

Capital Assets are recorded at cost and depreciated at the following annual rates:

New Halifax Infirmary building	50 years straight line
Other buildings and additions	50 years straight line
Equipment	10 years straight line
Leasehold improvements	10 years straight line
Information technology	5 years straight line

Restricted cash and short-term investments and restricted liabilities

Restricted cash and short-term investments are designated for restricted purposes by independent funders, by regulation or by resolution of the QEII's Board of Directors. The corresponding restricted liability represents the unexpended fund balance.

Capital contributions

Capital contributions are recorded as capital funding and amortized to income using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in the investment in capital.

3. Change in Accounting Policy

For fiscal years commencing on or after April 1, 1997, The Canadian Institute of Chartered Accountants recommended that capital assets be capitalized and amortized over their estimated useful lives and that contributions restricted for the purchase of capital assets be deferred and amortized over the same period as the related asset under the deferral method. The organization has adopted the recommendations in the current fiscal year.

As a result, the QEII has changed its method of accounting for capital assets, on a retroactive basis, from expensing them when purchased to capitalizing and amortizing them over their estimated useful lives and from recording contributions restricted for the purchase of capital assets as revenue when received to deferring and amortizing them over the same period as the related capital asset.

The effect of these changes on the comparative figures for the year ended March 31, 1997 has been to change the following income and expense amounts:

a) Depreciation expense in the operating fund increased from $nil previously reported to $12,400,000.

b) Amortization of capital funding in the operating fund increased from $nil previously reported to $11,134,000.

c) Depreciation expense in the capital fund decreased from $4,494,000 previously reported to $nil.

4. Due (to) from Nova Scotia Government Department of Health

The balance due (to) from the Nova Scotia Government Department of Health as at March 31 is comprised as follows:

	1998 (in thousands)	1997
Incinerator funding	$ 238	$ ---
CTRF debt	---	3,449
1995/96 claims	153	77
1994/95 operating claims	613	3
1996/97 claims	37	37
Move to New Halifax Infirmary	---	3,278
Environmental claims (Note 13)	1,756	7,174
Severance and early retirements	2,499	5,401
Long-term care-Veterans Affairs Canada	2,649	2,749
High cost drugs	---	1,384
Bone marrow transplants	---	161
Medical education	(238)	409
Capital grants	3,000	9,497
	10,707	33,619
Funding advance 1997/98	(17,661)	---
Funding advance - March 1997	(10,000)	(9,958)
Wage Rollback Program	(1,356)	(1,328)
New Halifax Infirmary	(13,799)	(14,463)
Funding Rollback Program	(3,513)	(3,513)
	$ (35,622)	$ 4,357

All amounts due are subject to review and approval by the Nova Scotia Government Department of Health.

5. Inventories

	1998 (in thousands)	1997
Drugs	$ 2,354	$ 2,746
General supplies	816	782
Medical and surgical supplies	1,764	1,626
Sterile processing and operating rooms	2,489	---
	$ 7,423	$ 5,154

6. Capital Assets

	Cost	Accumulated Depreciation	Net Book Value 1998	Net Book Value 1997 (restated - Note 3)
		(in thousands)		
Land	$ 324	$ —	$ 324	$ 324
New Halifax Infirmary Bldg	109,487	3,270	106,217	107,654
Other buildings & additions	7,091	1,064	6,027	6,169
Equipment	108,289	49,921	58,368	58,865
Leasehold improvements	26,677	4,440	22,237	19,433
Information technology	21,472	6,615	14,857	8,366
	$ 273,340	$ 65,310	$ 208,030	$ 200,811

7. Deferred Charge

During the year, $6,335,000 (1997 - $2,144,000) in re-engineering costs were deferred. These costs, which total $8,479,000 as at March 31, 1998, consist of external consulting fees and internal expenditures incurred on the re-engineering project. The deferred costs will be amortized in future periods as savings are realized.

8. Deferred Revenue

This amount represents an advance payment to the Centre from the Nova Scotia Government Department of Health on funding for the 1998/99 fiscal year.

9. Restricted Cash and Short-term Investments and Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2.

	1998	1997
	(in thousands)	
Abbie J. Lane Trust Fund	$ 57	$ 64
Charitable funds	61	58
Centre for Clinical Research	9,988	7,202
Other	382	(96)
	$ 10,488	$ 7,228

10. Long-Term Debt

	1998	1997
	(in thousands)	
Equipment Purchase Agreement		
Versa Services Ltd., 60 monthly payments of principal only (non-interest bearing) to November 1999	$ 112	$ 210
	112	210
Current portion	(112)	(97)
	$ —	$ 113

11. Pension Funds

Public Service Superannuation Fund

Most employees of the Victoria General Hospital ("VGH") and Cancer Treatment and Research Foundation ("CTRF") belong to the Public Service Superannuation Fund ("the Plan"). The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the QEII's operating expenses. The Plan is administered by the Nova Scotia Government Department of Finance. The QEII is not responsible for any unfunded liability in this plan. Subsequent to March 31, 1998, employees received a refund of their 1997/98 contributions. This refund was paid and funded by the Province of Nova Scotia on June 18, 1998.

Nova Scotia Association of Health Organizations

The Nova Scotia Rehabilitation Centre ("NSRC") and Camp Hill Medical Centre ("CHMC") participate in the multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent Actuarial Valuation was conducted as at December 1, 1995 and showed a funding excess for the entire plan of over $80,000,000.

12. Long-Term Disability Plan

Most employees of the VGH and the CTRF are eligible to join a long-term disability plan which is funded equally by employee and employer contributions. The employer's contributions are included in the QEII's operating expenses. The plan is currently administered by the Province of Nova Scotia which has disclosed an unfunded liability of approximately $16,000,000 for VGH and CTRF employees. The ultimate responsibility for funding the liability has not been resolved between the Province of Nova Scotia and the QEII.

13. Environmental Expenditures

During the year ended March 31, 1998, the QEII incurred approximately $6,909,000 (including a write-off of $3,967,000 due from with the Workers Compensation Board of Nova Scotia) of costs associated with the environmental illness claims which have been recorded in these financial statements. The cost of these claims totalled $2,804,000 for the year ended March 31, 1997. Management believes that additional costs will be incurred during fiscal year ended March 31, 1999 related to environmental illness claims. The Nova Scotia Department of Health has agreed to fund all ongoing environmental illness claims. No provision has been made for future claims as the amount of the claims is unknown and the QEII has not yet made formal commitments for these expenditures.

14. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000 and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Centre's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Centre, including those related to patient care, suppliers or other third parties will be fully resolved.

15. Lease commitments

The QEII is committed to the following annual lease payments in each of the next five fiscal years ended March 31:

1999	$ 6,847,000
2000	4,974,000
2001	4,561,000
2002	4,349,000
2003	4,319,000

16. Comparative Figures

Certain of the March 31, 1997 comparative figures have been reclassified to conform with the presentation adopted in the current year.

Schedule A

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Revenues

Operating Fund

year ended March 31, 1998

(in thousands)

	Patient Care	Affiliated Programs	Environ-mental	Research	Other	1998 Total	1997 Total
							(restated - note 3)
Inpatient							
Department of							
Health	$ 208,319	$ 15,147	$ 2,632	$ ---	$ 5,253	$ 231,351	$ 221,990
Federal	987	---	---	---	17	1,004	917
Veterans Affairs Canada	13,100	---	---	---	---	13,100	13,464
Non-resident	1,230	---	---	---	---	1,230	1,213
Workers'							
Compensation							
Board	2,287	---	---	---	---	2,287	1,614
Other	20	---	---	---	---	20	91
	225,943	15,147	2,632	---	5,270	248,992	239,289

Schedule A

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Revenues

Operating Fund (Cont'd)

year ended March 31, 1998

	Patient Care	Affiliated Programs	Environmental (in thousands)	Research	Other	1998 Total	1997 Total (restated - note 3)
Outpatient							
Department of Health	53,283	---	---	---	---	53,283	47,860
Federal	175	---	---	---	---	175	167
Non-resident	1,851	---	---	---	---	1,851	1,349
Workers' Compensation Board	595	---	---	---	---	595	378
Other	698	---	---	---	---	698	1,133
Laboratory	143	---	---	---	---	143	52
Radiology	594	---	---	---	---	594	106
Ambulance	41	---	---	---	---	41	100
	57,380	---	---	---	---	57,380	51,145

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Revenues

Operating Fund (Cont'd)

year ended March 31, 1998

	Patient Care	Affiliated Programs	Environ- mental (in thousands)	Research	Other	1998 Total	1997 Total (restated - note 3)
Other							
Department of Health	1,181	---	---	---	---	1,181	---
Contract revenue	---	---	---	6,989	---	6,989	6,469
Preferred accommodation	3,721	---	---	---	46	3,767	3,805
Medical Education	127	3,640	---	---	---	3,767	3,372
Laboratory	4,660	---	---	---	---	4,660	4,897
Dietary	15	---	---	---	4,287	4,302	3,837
Ortho/prosthetics	1,771	---	---	---	---	1,771	2,253
Donations	---	---	---	---	169	169	4,644
Psychiatry	(21)	---	---	---	59	38	2,041
Plant	1,223	---	---	---	---	1,223	1,160
Radiology	179	---	---	---	---	179	769
Interest	---	---	---	---	---	---	132
Amortization of capital funding	12,983	---	---	---	---	12,983	11,134
Other	260	---	---	4,215	636	5,111	1,108
Rentals	154	---	---	---	---	154	338
Parking	1,031	---	---	---	(1)	1,030	307
	27,284	3,640	---	11,204	5,196	47,324	46,266
Total revenues	$ 310,607	$ 18,787	$ 2,632	$ 11,204	$ 10,466	$ 353,696	$ 336,700

Schedule B

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Expenditures

Operating Fund

year ended March 31, 1998

	Patient Care	Affiliated Programs	Environ-mental (in thousands)	Research	Other	1998 Total	1997 Total (restated - note 3)
Compensation	$ 219,498	$ 15,397	$ 2,582	$ 4,591	$ 3,385	$ 245,453	$ 236,440
Medical and surgical supplies	28,245	6	---	49	4	28,304	24,409
Plant maintenance supplies	16,214	33	2	263	796	17,308	18,157
Drugs	18,830	---	---	17	---	18,847	17,270
Purchased service	11,794	72	47	796	3,346	16,055	9,674
Other	5,455	(79)	---	35	87	5,498	6,959
Lab Supplies	4,269	---	---	43	---	4,312	4,254
Fees	5,727	174	8	172	205	6,286	6,528
Food supplies	3,236	1	---	---	1,920	5,157	4,540
Diagnostic imaging	2,946	71	---	1	---	3,018	2,590
Travel	1,391	62	3	409	29	1,894	1,534
Write-off of due Worker's Compensation Board	---	---	3,967	---	---	3,967	---
Insurance	1,117	---	---	1	---	1,118	1,069
Depreciation	17,596	---	---	---	---	17,596	12,400
Move to New Halifax Infirmary	---	---	---	---	268	268	3,402
Research grants	---	---	---	1,567	---	1,567	865
Total expenditures	$ 336,318	$ 15,737	$ 6,609	$ 7,944	$ 10,040	$ 376,648	$ 350,091

Schedule C

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Changes in Capital

year ended March 31, 1998

	1998 Total	1997 Total (restated - Note 3)
	(in thousands)	
Capital Funding		
Nova Scotia Department of Health	$ 5,063	$ 19,629
Foundations	2,797	1,538
	$ 7,860	$ 21,167
Capital Expenditures		
New Halifax Infirmary Building	$ 745	$ 4,504
Equipment	9,509	22,005
Leasehold improvements	5,211	15,781
Information technology	9,350	8,170
	$ 24,815	$ 50,460

Schedule D

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Changes in Non-Cash Working Capital Items

year ended March 31, 1998

	1998	1997
	(in thousands)	
Decrease (increase) in		
Accounts receivable	$ (5,141)	$ (5,825)
Inventory	(2,269)	(1,214)
Prepaid expenses	(2,925)	(31)
Increase (decrease) in		
Accounts payable and accrued liabilities	(717)	23,350
Due from Nova Scotia Government Department of Health	39,979	809
Due to Nova Scotia Government Department of Finance	(3,449)	(2,698)
Deferred revenue	3,989	(547)
Changes in non-cash working capital items	$ 29,467	$ 13,844

AUDITORS' REPORT

To the Board of Directors of Resource Recovery Fund Board Inc.

We have audited the statement of financial position of Resources Recovery Fund Board Inc. as at March 31, 1998, and the statements of operations, changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements, present fairly, in all material respects, the financial position of the company as at March 31, 1998, and the results of its operations, changes in net assets and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND
Chartered Accountants

May 8, 1998
Truro, Nova Scotia

PROVINCE OF NOVA SCOTIA

RESOURCE RECOVERY FUND BOARD INC.

Statement of Operations

Year ended March 31, 1998

	1998	1997
REVENUES		
Deposits		
Gross revenues from deposits	$ 18,532,879	$ 15,736,126
Less: Harmonized sales tax	(2,397,010)	(1,172,637)
	16,135,869	14,563,489
Sales of recyclable materials	2,311,004	1,615,026
Stewardship	2,367,019	408,821
TOTAL REVENUES	20,813,892	16,587,336
COST OF SALES		
Inventory, beginning of year	46,261	—
Deposit refunds and handing fees	9,856,911	10,476,211
Freight-in	63,672	47,300
Local cartage	1,030,015	1,132,409
Regional processing	984,928	893,846
Used tires	1,439,400	166,246
Paid program	48,202	—
	13,469,389	12,716,012
Less: Inventory, end of year	70,183	46,261
	13,399,206	12,669,751
Gross margin	7,414,686	3,917,585
Administrative and operating expenses	1,698,128	1,330,747
OPERATING INCOME	5,716,558	2,586,838
Interest and other income	211,953	70,117
EXCESS OF REVENUES OVER EXPENSES	$ 5,928,511	$ 2,656,955

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

RESOURCE RECOVERY FUND BOARD INC.

Statement of Changes in Net Assets

Year Ended March 31, 1998

Net Assets	**Invested in Capital Assets**	**Restricted for Future Projects**	**Restricted for Approved Programs**	**Net Revenues**	**Total 1998**	**Total 1997**
Balance, beginning of year						
(Note 5)	$ 1,314,392	$ 1,816,507	$ 677,341	$ ---	$ 3,808,240	$ 2,772,348
Excess of revenues over expenses	(320,168)	---	---	6,248,679	5,928,511	2,656,955
Investment in capital assets	145,839	---	---	(145,839)	---	---
	1,140,063	1,816,507	677,341	6,102,840	9,736,751	5,429,303
Internally imposed restrictions	---	---	3,051,420	(3,051,420)	---	---
Payments during the year						
Education and awareness	---	---	(400,000)	---	(400,000)	(334,361)
Regional coordinators	---	---	(205,000)	---	(205,000)	(137,500)
Approved programs	---	---	(668,053)	---	(668,053)	---
Allocation of Municipal solid waste diversion						
Advances	---	---	---	---	---	(500,000)
Payable	---	---	---	(3,051,420)	(3,051,420)	(649,202)
Special payment	---	(700,000)	---	---	(700,000)	---
Balance, end of year	$ 1,140,063	$ 1,116,507	$ 2,455,708	$ ---	$ 4,712,278	$ 3,808,240

See accompanying notes to the financial statements

PROVINCE OF NOVA SCOTIA

RESOURCE RECOVERY FUND BOARD INC.

Statement of Financial Position

year ended March 31, 1998

	1998	1997
ASSETS		
Current		
Cash and short term investments	$ 8,136,163	$ 3,534,079
Receivables		
Trade	1,971,462	2,446,650
Accrued interest	16,651	7,334
Inventory	70,183	46,261
Prepaids	6,677	6,536
	10,201,136	6,040,860
Property and equipment (Note 3)	706,580	754,890
Organizational costs, net of accumulated amortization	433,483	559,502
	$ 11,341,199	$ 7,355,252
LIABILITIES		
Current		
Payables and accruals		
Trade	$ 1,542,201	$ 709,336
Municipal solid waste diversion	3,051,420	649,202
Unearned revenue	2,035,300	2,188,474
	6,628,921	3,547,012
NET ASSETS		
Investment in capital assets	1,140,063	1,314,392
Restricted for future projects	1,116,507	1,816,507
Restricted for approved programs	2,455,708	677,341
	4,712,278	3,808,240
	$ 11,341,199	$ 7,355,252

Commitments (Note 5)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

RESOURCE RECOVERY FUND BOARD INC.

Statement of Changes in Financial Position

year ended March 31, 1998

	1998	1997
Cash derived from (applied to)		
Operating		
Excess of revenues over expenses	$ 5,928,511	$ 2,656,955
Amortization and depreciation	320,168	261,908
	6,248,679	2,918,863
Change in non-cash operating working capital		
Receivables	465,871	(1,910,958)
Inventory	(23,922)	(46,261)
Prepaids	(141)	(4,267)
Payables and accruals	3,235,083	769,190
Unearned revenue	(153,174)	2,188,474
	9,772,396	3,915,041
Investing		
Purchase of		
Property and equipment	(141,139)	(362,180)
Organizational costs	(4,700)	(258,279)
	(145,839)	(620,459)
Allocation of net assets		
Municipal solid waste diversion	(3,751,420)	(1,149,202)
Approved programs	(1,273,053)	(471,861)
	(5,024,473)	(1,621,063)
Net increase in cash	4,602,084	1,673,519
Cash, beginning of year	3,534,079	1,860,560
Cash, end of year	$ 8,136,163	$ 3,534,079

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

RESOURCE RECOVERY FUND BOARD INC.

Notes to the Financial Statements

March 31, 1998

1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit company established by the Nova Scotia government to manage a substantial portion of the Province's Solid Waste-Resource Management Regulations.

2. Summary of significant accounting policies

(a) Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Building	5%	straight-line
Field equipment	20%	straight-line
Office and warehouse equipment	20%	straight-line
Computer hardware and software	20%	straight-line
Containers	33 1/3%	straight-line

(b) Inventory

Inventory is valued at the lower of cost and net realizable value.

(c) Unearned revenue

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

(d) Organizational costs

Organizational costs for new programs are amortized on a straight-line basis over five years.

(e) Income taxes

The company is exempt from income taxes under Section 149(l)(d) of the Canadian Income Tax Act.

(f) Revenue recognition

Resource Recovery Fund Board Inc. follows the deferral method of accounting for revenue.

3. Property and equipment

	Cost	Accumulated Depreciation	1998 Net Book Value	1997 Net Book Value
Land	$ 29,492	$ —	$ 29,492	$ 29,492
Building	273,150	27,315	245,835	259,493
Field Equipment	98,810	38,118	60,692	75,859
Office and warehouse equipment	69,417	24,218	45,199	44,374
Containers	276,099	169,559	106,540	169,576
Computer hardware and software	321,576	102,754	218,822	176,096
	$ 1,068,544	$ 361,964	$ 706,580	$ 754,890

4. Bank indebtedness

The company has an operating line of credit of $2,500,000, of which all is unused at March 31, 1998.

5. Commitments

The company has entered into agreements to lease a warehouse and equipment. Minimum rent payable for the next year is $49,799.

6. Other

(a) Included in trade receivables is an amount of $277,000 which is currently under dispute. Recovery depends on the ultimate resolution of this matter. No provision has been made in the financial statements.

(b) Subject to specific terms and conditions being met which are satisfactory to the Resource Recovery Fund Board Inc., the board has approved an investment of $281,400 in preference and common shares of Novapet Inc., a company located in Amherst, Nova Scotia. The board will fund this investment out of its net assets restricted for future projects.

7. Comparative Figures

Certain of the 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1998.

PROVINCE OF NOVA SCOTIA

RESOURCE RECOVERY FUND BOARD INC.

Schedule of Administrative and Operating Expenses

year ended March 31, 1998

	1998	1997
Bad debt expenses	$ 38,360	$ ---
Board fees and expenses	18,480	40,178
Consulting	186,613	134,939
Delivery, courier and postage	14,089	14,310
Depreciation and amortization	320,168	261,908
Dues and fees	3,253	---
Equipment lease or rent	12,565	9,019
Insurance	5,172	3,446
Interest and bank charges	6,104	3,855
Meetings and travel	41,956	60,146
Miscellaneous	---	2,985
Office expense	18,281	29,170
Professional fees	114,737	217,543
Property taxes	5,646	5,495
Public relations	130,389	96,079
Rent	42,300	28,612
Repairs and maintenance	43,521	15,527
Salaries and benefits	577,487	276,618
Shipping supplies	25,520	18,461
Telecommunications	45,828	62,759
Training	620	1,050
Utilities	9,196	18,059
Vehicle expense	37,843	30,588
	$ 1,698,128	$ 1,330,747

AUDITORS' REPORT

To the Members of the
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 1998 and the statements of operations, fund balances, and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles set out in the notes to the financial statements.

DELOITTE & TOUCHE
Chartered Accountants

May 8, 1998

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Balance Sheet

as at March 31, 1998

	1998	1997
ASSETS		
Current		
Cash	$ 327,949	$ ---
Accounts receivable	26,437	9,484
Inventory (Note 2)	114,508	84,502
Prepaid expenses	18,830	19,771
	487,724	113,757
Capital assets, at cost (Note 2)		
Property, buildings and furnishings	4,001,105	3,895,010
	$ 4,488,829	$ 4,008,767
LIABILITIES AND EQUITY		
Current		
Bank indebtedness	$ 46,000	$ 60,858
Accounts payable	29,690	40,106
Deferred operating grant	380,000	---
	455,690	100,964
Equity		
Investment in capital assets	4,001,105	3,895,010
Operating fund surplus	32,034	12,793
	4,033,139	3,907,803
	$ 4,488,829	$ 4,008,767

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Statement of Operations

year ended March 31, 1998

	1998 Budget	1998 Actual	1997 Actual
Revenue			
Operating grants			
Board of Governors of the Nova Scotia Museum	$ 766,300	$ 766,300	$ 766,300
Capital grants			
Department of Transportation and Public Works (Note 3)	100,000	103,149	135,718
Nova Scotia Museum	---	---	25,000
	100,000	103,149	160,718
Program revenue (Schedule 2)	261,500	298,474	277,288
Other			
Gate admissions	125,000	126,746	92,752
Interest	7,000	2,708	6,320
Miscellaneous	7,900	6,913	3,231
	139,900	136,367	102,303
Total revenue	1,267,700	1,304,290	1,306,609
Expenditures			
General operating (Schedule 1)	554,415	527,644	587,406
Program (Schedule 2)	613,285	653,182	645,327
Capital	100,000	104,223	147,211
Total expenditures	1,267,700	1,285,049	1,379,944
Net revenue (expenditure)	$ ---	$ 19,241	$ (73,335)

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Statement of Fund Balances

year ended March 31, 1998

OPERATING FUND SURPLUS

	1998	1997
Balance, beginning of year	$ 12,793	$ 86,128
Net revenue (expenditure)	19,241	(73,335)
Balance, end of year	$ 32,034	$ 12,793

INVESTMENT IN CAPITAL ASSETS

	1998	1997
Balance, beginning of year	$ 3,895,010	$ 3,747,799
Additions		
Furnishings and equipment	1,872	---
Renovations - Department of Transportation and Public works	104,223	122,211
Land	---	25,000
	106,095	147,211
Balance, end of year	$ 4,001,105	$ 3,895,010

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Statement of Changes in Financial Position

year ended March 31, 1998

	1998	1997
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net revenue (expenditure)	$ 19,241	$ (73,335)
Add capital expenditures charged to operations	106,095	147,211
	125,336	73,876
Changes in non-cash operating capital items (Note 5)	323,566	26,032
	448,902	99,908
Investing		
Additions to property, buildings and furnishings	(106,095)	(147,211)
Net cash inflow (outflow)	342,807	(47,303)
Bank indebtedness, beginning of year	(60,858)	(13,555)
Cash position (bank indebtedness), end of year	$ 281,949	$ (60,858)
Represented by:		
Cash	$ 327,949	$ —
Bank indebtedness	(46,000)	(60,858)
	$ 281,949	$ (60,858)

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Notes to the Financial Statements

year ended March 31, 1998

1. Description of Operations

The Commission operates the Sherbrooke Village Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. Accounting Policies

The financial statements have been prepared in accordance with accounting policies considered appropriate for organizations of this type. The more significant of these accounting policies are summarized below:

a) Fund Accounting

The assets and liabilities of the Commission are segregated into two funds - Operating and Investment in Property, Buildings and Furnishings. The Operating Fund assets and liabilities are those which are used for the general operations of the Commission. The Investment in Property, Buildings and Furnishings Fund comprises assets of enduring benefit and any related debt.

b) Depreciation

Depreciation is not recorded on the property, buildings and furnishings.

c) Capital Assets

Property, buildings and furnishings reflect all expenditures of the Commission from June 15, 1971 to March 31,1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

d) Inventory

Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and market.

3. Capital Grants - Department of Transportation and Public Works

The Commission receives grants for capital projects from the Nova Scotia Department of Transportation and Public Works. The portion of these grants relating to reimbursement for Workers' Compensation is applied directly to reduce the Workers' Compensation expense, rather than to revenue.

4 Pension Plan

The Commission has a defined benefit pension plan which covers all employees. The plan is contributory and provides retirement benefits based on length of service and average earnings as defined. The last actuarial valuation was carried out in 1998, and covered the financial position of the plan as at December 31, 1997. At that time, the assets of the plan amounted to $657,922 and the liabilities amounted to $528,205, with the result that the plan had a surplus of $129,717 at that date.

5. Changes in Non-cash Operating Working Capital Items

	1998	1997
Accounts receivable	$ (16,953)	$ 17,930
Accounts payable	(10,416)	17,667
Prepaid expenses	941	2,082
Deferred revenue	380,000	—
Inventory	(30,006)	(11,647)
	$ 323,566	$ 26,032

Schedule 1

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Schedule of General Operating Expenditures

year ended March 31, 1998

	1998 Budget	1998 Actual	1997 Actual
Advertising and brochures	$ 22,000	$ 15,639	$ 25,938
Bad debts	---	---	1,542
Freight	2,000	2,012	2,888
Heat, light and power	59,000	55,546	59,967
Insurance and taxes	4,800	2,853	4,652
Interest and bank charges	2,600	3,018	2,592
Maintenance supplies	12,000	14,166	12,950
Miscellaneous	6,565	10,295	7,850
Motor vehicles	3,000	4,016	3,076
Office supplies and postage	9,000	11,966	8,898
Sewer and water	36,000	37,520	36,452
Professional fees	5,000	7,815	5,233
Property maintenance and security salaries	98,490	97,492	112,912
Pension plan and other benefits	62,000	55,233	61,736
Salaries and wages - Administration	171,960	155,759	172,183
Staff and Commission training	25,000	11,511	13,041
Special projects wages	(4,000)	659	8,867
Telephone	13,000	15,569	16,449
Travel	10,000	10,114	13,434
Workers' compensation	16,000	16,461	16,746
	$ 554,415	$ 527,644	$ 587,406

Schedule 2

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Schedule of Program Revenue and Expenditures

year ended March 31, 1998

	1998 Budget	1998 Net Expenditures	1997 Net Expenditures
Blacksmith shop	$ 9,870	$ 8,855	$ 12,529
Boat shop	7,940	---	1,827
Costume shop	17,950	18,739	15,176
Craft shop	20,830	3,480	25,019
Emporium (Schedule 3)	(38,500)	(7,317)	(11,192)
Exhibit operations	16,510	14,749	15,712
Jordan barn	28,675	35,628	33,997
Pottery shop	22,625	21,655	23,189
Restaurant	(1,000)	(779)	(1,351)
Print shop	1,000	455	462
Sawmill operations	18,665	22,583	22,075
Ambrotype Studio	6,255	9,679	5,764
Turner shop	20,535	11,965	19,181
Woodworking shop	18,765	20,746	15,391
Education program	(10,000)	(13,352)	(12,760)
Guides	197,665	200,398	201,071
Riverfront project	10,000	3,072	1,949
Theatre program	4,000	4,152	---
	$ 351,785	$ 354,708	$ 368,039

Program expenditures	$ 613,285	$ 653,182	$ 645,327
Less: Program revenue	261,500	298,474	277,288
Net expenditures	$ 351,785	$ 354,708	$ 368,039

Schedule 3

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Schedule of Retail Operations

year ended March 31, 1998

	1998	1997
Revenue		
Sales	$ 146,690	$ 182,729
Cost of goods sold		
Merchandise inventory, opening	39,218	14,038
Purchases	117,278	165,554
Merchandise available for sale	156,496	179,592
Less: Merchandise inventory, ending	50,903	39,218
Cost of goods sold	105,593	140,374
Gross profit on sales	41,097	42,355
Expenses		
Salaries and wages	27,563	27,666
General Expense	6,217	3,497
	33,780	31,163
Net retail income	$ 7,317	11,192

AUDITOR'S REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

I have audited the operating fund balance sheet of Sydney Environmental Resources Limited (formerly known as Sydney Tax Ponds Clean-Up Inc.) for the year ended March 31, 1998, and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1998 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles except as disclosed in Note 3.

The comparative figures for the year ended March 31, 1997 were examined by another firm of chartered accountants.

JOHN NASH
Chartered Accountant

April 20, 1998

PROVINCE OF NOVA SCOTIA

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Current		
Cash	$ 118,143	$ 168,679
Accounts receivable	50,090	23,962
Prepaid expenses	—	12,706
	$ 168,233	$ 205,347

LIABILITIES

	1998	1997
Current		
Accounts payable and accrued liabilities	$ 99,287	$ 136,604
Due to Province of Nova Scotia	68,945	68,742
	168,232	205,346

EQUITY

	1998	1997
Share capital (Note 8)	1	1
	$ 168,233	$ 205,347

Commitments (Note 7)

PROVINCE OF NOVA SCOTIA

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Statement of Revenue and Expenditures

for the year ended March 31, 1998

	1998	1997
Operating revenue	$ 1,349,797	$ 1,306,258
Operating expenditures		
Civic taxes	3,575	5,052
Directors' fees	17,346	13,186
Health, safety and environmental	---	1,415
Incineration plant operation and maintenance	70,923	116,012
Incineration plant overhead	135,096	83,502
Joint Action Group	147,463	---
Office	33,000	23,296
Professional fees	11,791	17,813
Public information	48,307	59,388
Rent	25,735	55,480
Salaries and benefits	719,165	410,221
Site delineation and contract costs	---	497,409
Technical services	120,162	---
Telephone	11,599	11,906
Travel	5,635	11,578
	1,349,797	1,306,258
Excess revenue over expenditures	$ ---	$ ---

PROVINCE OF NOVA SCOTIA

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Notes to Financial Statements

year ended March 31, 1998

1. Authority and Objective

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the company changed its name from Sydney Tar Ponds Clean- Up Inc. to Sydney Environmental Resources Limited.

Its current objective is to utilize its resources in emerging community based environmental initiatives.

2. Continuation of The Business

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon obtaining necessary funding from the Province of Nova Scotia and/or the Government of Canada.

3. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles except as outlined below:

a) Financing

The Company, an agency of Her Majesty, receives legislative appropriations for operating expenditures. These appropriations are reflected as operating grants to the extend of operating expenditures. Any excess appropriations are accounted for as deferred operating grants. Consequently, the company does not have any equity.

b) Capital Assets

In accordance with funding requirements, the cost of capital assets are accounted for as current operating expenditures.

4. Due From Province of Nova Scotia

The payable to the Province of Nova Scotia as at March 31, 1998 represents operating funding received for the year ended March 31, 1998 in excess of operating expenditures.

5. Related Party Transactions

During the year, the Company received a net current operating grant of $1,349,797 (1997 - $1,306,258) from the Province of Nova Scotia.

In addition to the above-noted related party transactions, the company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

6. Compensation Legislation

The Company has complied with the provisions of the Public Sector Compensation Act.

7. Commitments

a) Operations

The Company has committed to the Province of Nova Scotia, that it will run its affairs in accordance with Provincial standards. Its operations will be accountable to the Province through the Minister responsible for Sydney Environmental Resources Limited.

b) Sales Agreement

Should the Company operate the incinerator, it has a sales agreement with Nova Scotia Power Inc. to sell power, which the incinerator will generate. The agreement expires August 25, 2000.

c) Land Lease

The Company has entered into an agreement with Canadian National Railway Company to lease approximately 46 acres of land for an annual rental of $1.00. The land gives the Company access to the Sydney Tar Ponds. The Company undertakes not to further contaminate any leased lands. The lease expires October 31, 2001.

d) Sydney Steel Corporation

The Company has undertaken to hire displaced Sydney steel Corporation employees.

8. Share Capital

Authorized
50,000 common shares with no par value

Issued		
1 Share at $1	$	1

9. Comparative Figures

Certain of the comparative figures have been re-classified to conform to the financial statement presentation adopted for the current year.

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PROVINCE OF NOVA SCOTIA

SYDNEY STEEL CORPORATION

The following statements for the Sydney Steel Corporation are in draft format only. They had not been approved by the Board of Directors at the time these statements were published.

PROVINCE OF NOVA SCOTIA

SYDNEY STEEL CORPORATION

Balance Sheet

December 31, 1997, with comparative figures for 1996, 1995, and 1994

ASSETS

	1997	1996 (in thousands)	1995	1994
Current assets				
Cash	$ 6	$ 1	$ 2	$ 2
Accounts receivable (Note 3)	14,947	10,570	14,836	1,427
Inventories (Note 4)	22,783	19,653	40,062	20,694
Prepaid expenses	1,295	653	23	412
	39,031	30,877	54,923	22,535
Property, plant and equipment:				
Land, buildings and equipment	437,419	436,864	434,793	432,644
Less: Accumulated depreciation write-downs	(410,109)	(407,417)	(405,233)	(403,141)
	27,310	29,447	29,560	29,503
	$ 66,341	$ 60,324	$ 84,483	$ 52,038

PROVINCE OF NOVA SCOTIA

SYDNEY STEEL CORPORATION

Balance Sheet (continued)

December 31, 1997, with comparative figures for 1996, 1995, and 1994

LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIENCY)

	1997	1996 (in thousands)	1995	1994
Current liabilities				
Cheques issued in exceeds of funds on deposit	$ 4,045	2,738	$ 1,398	$ ---
Demand loans, guaranteed by the Province of Nova Scotia	73,584	44,957	24,182	---
Accounts payable and accrued liabilities	16,020	14,361	34,928	17,820
	93,649	62,056	60,508	17,820
Accrued pension obligations	35,000	---	---	---
Shareholder's equity (deficiency):				
Contributed surplus	523,018	523,018	523,018	523,018
Deficit	(585,326)	(524,750)	(499,043)	(488,800)
	(62,308)	(1,732)	23,975	34,218
	$ 66,341	$ 60,324	$ 84,483	$ 52,038

Future operations (Note 1)
Contingencies (Note 6)

See accompanying notes to financial statements.

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PROVINCE OF NOVA SCOTIA

SYDNEY STEEL CORPORATION

Statement of Changes in Financial Position

year ended December 31, 1997, with comparative figures for each of the years ended December 31, 1996 and 1995 and the nine months ended December 31, 1994

	1997	1996	1995	1994
		(in thousands)		
Cash provided by (used in):				
Operations:				
Loss for the period . . . . $	(60,576) $	(25,707) $	(10,243) $	(20,893)
Items not involving cash:				
Depreciation.	2,692	2,184	2,092	1,500
Provision for pension benefits.	35,000	—	—	—
Provision for removal and site restoration costs	—	—	—	1,500
Pension plan contributions in excess of amounts charged to earnings	—	—	—	(1,718)
Reclassification of investment item-other income	—	—	(12)	(207)
Change in non-cash operating working capital	(6,490)	3,478	(15,280)	15,079
	(29,374)	(20,045)	(23,443)	(4,739)
Financing:				
Principal payments on long-term debt	—	—	—	(3,850)
Province of Nova Scotia grant for debt retirement	—	—	—	3,850
Assumption of bank indebtness by Province of Nova Scotia . . .	—	—	—	194,815
	—	—	—	194,815

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PROVINCE OF NOVA SCOTIA

SYDNEY STEEL CORPORATION

Statement of Changes in Financial Position (continued)

year ended December 31, 1997, with comparative figures for each of the years ended December 31, 1996 and 1995 and the nine months ended December 31, 1994

	1997	1996	1995 (in thousands)	1994
Investments:				
Expenditures on property, plant and equipment	(555)	(2,071)	(2,149)	(1,003)
Proceeds on sale of property, plant and equipment	---	---	12	207
	(555)	(2,071)	(2,137)	(796)
Increase (decrease) in cash position	(29,929)	(22,116)	(25,580)	189,280
Cash position, beginning of period	(47,694)	(25,578)	2	(189,278)
Cash position, end of period	$ (77,623)	$ (47,694)	$ (25,578)	$ 2

Cash Position is defined as a cash net of cheques issued in excess of funds on deposit and demand loans.

See accompanying notes to financial statements.

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PROVINCE OF NOVA SCCTIA

SYDNEY STEEL CORPORATION

Statement of Loss and Deficit

year ended December 31, 1997, with comparative figures for each of the years ended December 31, 1996 and 1995 and the nine months ended December 31, 1994

	1997	1996	1995 (in thousands)	1994
Sales	$ 63,011	$ 91,085	$ 146,468	$ 86,676
Expenses and other income:				
Manufacturing	65,969	92,943	128,759	80,057
Repairs and maintenance	10,963	12,861	18,124	9,901
Administrative and selling	6,201	6,284	6,010	5,018
Interest on long-term debt	—	—	—	876
Interest on short-term borrowing	2,892	2,554	1,874	10,202
Grant from Province of Nova Scotia	—	—	—	(1,235)
Other income	(130)	(34)	(148)	(250)
	85,895	114,608	154,619	104,569
Loss before below-noted items	22,884	23,523	8,151	17,893
Depreciation	2,692	2,184	2,092	1,500
Provision for removal and site restoration costs	—	—	—	1,500
Provision for pension obligations	35,000	—	—	—
Loss for the period	60,576	25,707	10,243	20,893
Deficit, beginning of period	524,750	499,043	488,800	467,907
Deficit, end of period	$ 585,326	$ 524,750	$ 499,043	$ 488,800

See accompanying notes to financial statements.

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PROVINCE OF NOVA SCOTIA

SYDNEY STEEL CORPORATION

Statement of Contributed Surplus

year ended December 31, 1997, with comparative figures for each of the years ended December 31, 1996 and 1995 and the nine months ended December 31, 1994

	1997	1996	1995 (in thousands)	1994
Contributed surplus, beginning of period	$ 523,018	$ 523,018	$ 523,018	$ 299,350
Contributions from Province of Nova Scotia	—	—	—	223,668
Contributed surplus, end of period	$ 523,018	$ 523,018	$ 523,018	$ 523,018

See accompanying notes to financial statements.

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PROVINCE OF NOVA SCOTIA

SYDNEY STEEL CORPORATION

Notes to Financial Statements

year ended December 31, 1997, 1996 and 1995

Sydney Steel Corporation is a Crown Corporation incorporated by special act of the Province of Nova Scotia. Its principal business activities include manufacturing steel products.

1. **Future operations:**

The Corporation is dependent on its owner, the Province of Nova Scotia, for the financial support including loan guarantees necessary to sustain its operations.

The corporation and the Province are actively seeking to establish an arrangement which would permit the Province to divest of its ownership and, concurrently, to identify a suitable new owner/operator who would commit to the long-term operation of the business.

These financial statements have been prepared on the going concern basis which assumes the realization of assets and liquidation of liabilities in the normal course of business. Accordingly they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in the financial statements.

2. **Significant accounting policies:**

(a) Reporting interval:

Effective January 1, 1995 the Company, together with the Province of Nova Scotia, entered into an agreement with China National Metals and Minerals Import and Export Corporation (Minmetals) which contemplated the joint operation and subsequent sale of the Company's assets to Minmetals on or before December 31, 1997. While the Agreement was in effect, management had prepared financial statements for internal purposes and for the Parties to the Agreement. However, because of unresolved differences between the Parties in connection with the Agreement, management was unable to complete general purpose financial statements in accordance with generally accepted accounting principles. On December 31, 1997 each of the Parties withdrew from the Agreement and as a result the accompanying financial statements encompass the three year period from January 1, 1995 to December 31, 1997.

(b) Inventories:

Manufactured products are stated at lower of cost and net realizable value. Raw materials and supplies are stated at lower of cost and replacement cost.

(c) Property, plant and equipment:

Property, plant and equipment are stated at cost.

Depreciation for assets on hand April 1, 1994 (having a collective value of $30 million at that date) is provided on a straight -line basis over a fifteen year period.

Depreciation for assets acquired since April 1, 1994 is provided on a straight-line basis over the estimated useful life of the asset commencing in the year following acquisition of the asset.

Additional write-downs are provided so as to reduce the net book value of property, plant and equipment to an amount considered recoverable in future periods.

(d) Government grants:

Grants received from the Province of Nova Scotia toward the acquisition of property, plant and equipment and debt retirement are credited to contributed surplus as the Corporation is owned 100% by the Province.

Grants received from other sources toward the acquisition of property, plant and equipment are deducted from the related assets, with depreciation calculated on the net amount.

Grants received toward current expenses are included in the determination of loss for the year.

3. Accounts receivable:

	1997	1996	1995 (in thousands)	1994
Trade receivables	$ 13,237	$ 9,539	$ 12,854	$ 18,582
Goods and Services Tax	1,710	471	1,982	862
Insurance recovery	—	560	—	—
	14,947	10,570	14,836	19,444
Less advances by Province of Nova Scotia	—	—	—	(18,017)
	$ 14,947	$ 10,570	$ 14,836	$ 1,427

During the period ended December 31, 1994, the Province made advances to the Corporation pursuant to an assignment arrangement under which the advances were secured by and repayable from collection of accounts receivable.

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4. Inventories:

	1997	1996	1995	1994
			(in thousands)	
Manufactured products	$ 10,192	$ 10,234	$ 23,317	$ 8,688
Raw materials	12,039	8,832	16,033	11,361
Supplies	552	587	712	645
	$ 22,783	$ 19,653	$ 40,062	$ 20,694

5. Transactions with the Province of Nova Scotia:

The accounts of the Corporation include the following transactions with the Province of Nova Scotia:

a) Operations:

Amounts reported in the Corporation's Statement of Loss are affected by the following:

i) During the nine months ended December 31, 1994 the Province provided a grant of $1,235 as a contribution toward interest on long-term debt paid by the Corporation.

ii) Civic taxes payable to the Regional Municipality of Cape Breton by the Corporation are subject to the terms of an agreement between the Corporation, the Province, and the Regional Municipality.

b) Capital contributions:

Capital contributions are reflected as part of the Corporation's contributed surplus.

Details of capital contributions provided by the Province are as follows:

	Nine months ended December 31, 1994 (in thousands)
For long-term debt retired during the period	$ 3,850
For obligations and indebtedness assumed by the Province of Nova Scotia (see below)	219,818
	$ 223,668

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Under the terms of Minmetals agreement, the Province had assumed responsibility for certain obligations and indebtedness of the Corporation incurred up to December 31, 1994. The obligations and indebtedness assumed by the Province are summarized as:

		(in thousands)
Assumption of bank indebtedness together with interest thereon	$	194,815
Assumption of long-term debt together with interest thereon		7,288
Assumption of pension obligations and other post retirement benefits having an estimated actuarial liability at December 31, 1994 of $48,000		16,215
Assumption of provision for removal and site restoration costs		1,500
	$	219,818

6. **Contingencies at December 31, 1997:**

The Corporation, supported by guarantee of the Province of Nova Scotia, is liable to the extent of $2,835 in respect of letters of guarantee issued under bid and performance contracts.

7. **Settlement of contingencies and measurement uncertainties during reporting interval:**

The internal financial statements previously made available to the Parties as referred to in Note 2(a) included note-disclosure of contingencies and measurement uncertainties, the resolution of which is summarized as follows:

- A December 31, 1995 contingency with respect to a claim for product defect was settled during 1996, the related financial effects of which are included in the 1996 financial results:
- A December 31, 1996 measurement uncertainty with respect to settlement of Union contracts was resolved in 1997, the financial effects of which are included in the 1997 financial results, and
- A December 31, 1996 contingency with respect to a claim for product defect was settle in June 1998, the related financial effects of which are included in the 1997 financial result.

8. **Pension cost and obligations:**

The Corporation contributes to defined benefit plans on behalf of virtually all employees. Pursuant to a prior agreement, the Province had agreed to assume responsibility for pension costs and obligations of the Corporation accrued up to December 31, 1994. Accordingly, commencing January 1, 1995 the Corporation has recorded pension expense with reference to activity and developments since January 1, 1995 and which have consisted primarily of:

a) The cost of pension benefits provided in exchange for employees' services rendered in the current period, and
b) The cost of pension benefits arising from amendments to the Plans since January 1, 1995.

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a) Current services:

Pension expense in respect of current service has been recorded as follows:

Year Ended	Pension Expense
December 31, 1995	$ 634
December 31, 1996	501
December 31, 1997	648

b) Plan amendments:

In 1997, the Corporation negotiated labor agreements which resulted in enhancements to its Pension Plans. The net present value of benefits related to the enhancements was estimated at $35 million and the Corporation, in contemplation of divestiture, has included the full estimated cost of the enhancements separately in the 1997 Statement of Loss and Deficit.

The most recent actuarial review of the Pension Plans was carried out by William M. Mercer Limited as at December 31, 1996 (prior to amendments to the Plans). While the review disclosed a deficiency between the value of pension fund assets and obligations at that date, the responsibility for funding same primarily vests with the Province of Nova Scotia pursuant to the earlier agreement.

Because responsibility for the Plans funding rests, in part, with the Company and, in part, with the Province, further discussions are required with the Superintendent of Pensions to clarify implement and give effect to the respective obligations of the company and the Province.

9. **Uncertainty due to the Year 2000 Issue:**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Unaudited

PROVINCE OF NOVA SCOTIA

TIDAL POWER CORPORATION

Balance Sheet

as at March 31, 1998

	1998	1997
Assets		
Current Assets		
Bank	$ 38,353	$ 37,343
Fixed Assets		
Office furniture	7,178	7,178
Less Accumulated Depreciation	2,991	2,632
	4,187	4,546
Computer Equipment	4,875	4,875
Less Accumulated Depreciation	1,461	974
	3,414	3,901
Total Assets	$ 45,954	$ 45,790
Liability & Equity		
Liabilities	$ —	$ —
Equity		
Opening retained earnings	45,790	45,480
Current earnings	164	310
Closing retained earnings	45,954	45,790
Total Liabilities/Equity	$ 45,954	$ 45,790

Unaudited

PROVINCE OF NOVA SCOTIA

TIDAL POWER CORPORATION

Income Statement

for the year ended March 31, 1998

	1998	1997
Revenue		
Investment income	$ 1,022	$ 1,164
Total revenue	$ 1,022	$ 1,164
Expenses		
Administration-bank charges	$ 12	$ 8
Depreciation Expense		
Furniture/Equipment	359	359
Computer	487	487
Total Expenses	$ 858	$ 854
Net Income	$ 164	$ 310

Unaudited

PROVINCE OF NOVA SCOTIA

TIDAL POWER CORPORATION

Statement of Interest and Charges

Year ended March 31, 1998

Month	Interest	Charges
April	$ 69.05	$ 4.00
May	71.49	8.00
June	69.30	---
July	71.73	---
August	71.86	---
September	69.68	---
October	72.14	---
November	85.48	---
December	96.59	---
January	112.95	---
February	102.33	---
March	129.83	---
Total	$ 1,022.43	$ 12.00

Unaudited

PROVINCE OF NOVA SCOTIA

TIDAL POWER CORPORATION

Notes to Financial Statements

Year ended March 31, 1998

1. Authority

The Tidal Power Corporation was established by the Tidal Power Corporation Act which came into force on April 22, 1971. The object of the Corporation is to obtain, for Nova Scotia, the maximum benefit which may be derived from exploitation of tidal power and undertakings which are ancillary to, connected with, or may arise as a result of exploitation.

2. Significant Accounting Policies

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided on a straight-line basis at an annual rate of 5% for office furniture and 10% for computer equipment.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Trade Centre Limited as at March 31, 1998 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG
Chartered Accountants

Halifax, Canada
May 21, 1998

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Balance Sheet

March 31, 1998, with comparative figures for 1997

	1998	1997
ASSETS		
Current assets:		
Cash and short-term investments	$ 4,196,667	$ 3,713,869
Accounts receivable (Note 2)	962,278	936,526
Inventories	120,920	78,085
Prepaid expenses	40,030	39,859
	5,319,895	4,768,339
Portfolio investments	---	429,850
Property and equipment (Note 3):		
Land, building, furniture and equipment and tenant leaseholds	33,089,880	33,089,880
Less: accumulated depreciation and amortization	16,123,021	15,082,695
	16,966,859	18,007,185
	$ 22,286,754	$ 23,205,374
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 696,421	$ 732,959
Due to the Province of Nova Scotia	2,939,125	2,417,593
Event deposits	229,299	276,928
Deferred revenue	26,961	26,874
	3,891,806	3,454,354
Deferred capital assistance	---	429,850
Shareholder's equity:		
Capital stock:		
Authorized: 1,000,000 common shares without par value		
Issued and outstanding: 100 common shares	100	100
Contributed surplus (Note 4)	45,173,101	45,173,101
Deficit	(26,778,253)	(25,852,031)
	18,394,948	19,321,170
	$ 22,286,754	$ 23,205,374

Commitments (Note 7)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Statement of Operations and Deficit

Year ended March 31, 1998, with comparative figures for 1997

	1998	1997
Revenues:		
Convention centre	$ 4,496,698	$ 4,117,489
Office tower	1,980,539	1,779,983
World Trade Centre	638,167	621,192
	7,115,404	6,518,664
Expenses:		
Event expenses	2,570,928	2,311,424
Salaries, wages and benefits	1,594,478	1,567,806
Administration	504,798	388,950
Advertising and marketing	358,837	347,160
Maintenance	610,989	637,099
Energy	512,086	519,351
Taxes and Insurance	839,913	937,912
	6,992,029	6,709,702
Income (loss) before amortization and depreciation	123,375	(191,038)
Gain on disposal of assets	(1,434)	(15,601)
Depreciation and amortization	1,040,326	1,060,063
Loss before subsidies and interest income on short-term investments	(915,517)	(1,235,500)
Halifax Regional Municipality operating subsidy (Note 5)	445,862	442,763
Province of Nova Scotia operating surplus (Note 6)	(569,237)	(251,725)
Interest income on short-term investments	112,670	134,739
Loss for the year	(926,222)	(909,723)
Deficit, beginning of year	(25,852,031)	(24,942,308)
Deficit, end of year	$ (26,778,253)	$ (25,852,031)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Statement of Changes in Financial Position

Year ended March 31, 1998, with comparative figures for 1997

	1998	1997
Cash provided by (used in):		
Operations:		
Loss for the year	$ (926,222)	$ (909,723)
Items not involving cash:		
Depreciation and amortization	1,040,326	1,060,063
Gain on disposal of assets	(1,434)	(15,601)
Change in non-cash operating working capital	368,694	172,841
	481,364	307,580
Financing:		
Increase in deferred capital assistance	147,950	1,085,000
Investments:		
Proceeds on disposal of furniture and equipment	1,434	15,601
Disposal of portfolio investments	429,850	354,451
Deferred capital assistance used for capital projects	(577,800)	(1,439,451)
Repayment of note receivable	---	8,423
	(146,516)	(1,060,976)
Increase in cash	482,798	331,604
Cash, beginning of year	3,713,869	3,382,265
Cash, end of year	$ 4,196,667	$ 3,713,869

Cash position is defined as cash plus short-term investments.

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Notes to Financial Statements

Year ended March 31, 1998

The Trade Centre Limited is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre and leasing of office and commercial space.

1. **Significant accounting policies:**

(a) Divisional operations:

The Trade Centre Limited consists of three divisions: the Convention Centre, the World Trade Centre and the Office Tower. Revenue and expenditures are recorded on the accrual basis.

(b) Short-term investments:

Short-term investments are recorded at the lower of cost and market.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Property and equipment:

Property and equipment is stated at cost, net of government assistance. Depreciation and amortization is provided on the straight-line basis over the following terms:

Asset	**Rate**
Building	30 years
Furniture and equipment	5 years
Tenant leaseholds	Lease term

2. **Accounts receivable:**

	1998	1997
Convention centre events	$ 485,523	$ 391,688
Office tower rents	148,525	97,325
World Trade Club	74,360	59,864
Leasehold improvements receivable	—	260,660
Note receivable	—	8,935
Other	277,698	161,778
	986,106	980,250
Less: Allowance for doubtful accounts	(23,828)	(43,724)
	$ 962,278	$ 936,526

3. **Property and equipment:**

	Cost	Accumulated Depreciation and Amortization	1998 Net	1997 Net
Land	$ 1	$ —	$ 1	$ 1
Building	30,259,664	13,351,399	16,908,265	17,916,917
Furniture and equipment	1,939,123	1,934,061	5,062	5,062
Tenant leaseholds	891,092	837,561	53,531	85,205
	$ 33,089,880	$ 16,123,021	$ 16,966,859	$ 18,007,185

4. **Contributed surplus:**

	1998	1997
Government of Canada	$ 2,750,000	$ 2,750,000
Halifax Regional Municipality	1,500,000	1,500,000
Province of Nova Scotia	40,923,101	40,923,101
	$ 45,173,101	$ 45,173,101

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

5. **Operating subsidy from the Halifax Regional Municipality:**

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 1998 fiscal year in these financial statements.

6. Province of Nova Scotia operating surplus:

The Province of Nova Scotia operating surplus represents the income for the year before depreciation and amortization and interest income on short-term investments.

7. Commitments:

Operating leases:

The Centre is committed to payments under operating leases for various assets with terms expiring between 1999 and 2003. Annual payments are as follows:

1999	$	29,886
2000		25,638
2001		17,141
2002		17,141
2003		17,141

8. Capital assistance:

The Province of Nova Scotia has allowed the Centre to use certain amounts of accrued savings from operations towards future capital projects. An amount of $92,060 was approved during the year for schedules projects.

The Halifax Regional Municipality provided a further contribution of $55,890 during the year toward certain of these scheduled capital projects.

During the year the Centre expended the balance of the funds - $577,800, being $429,850 deferred from the prior year and $147,950 approved during the current year, on capital projects.

9. Related party transactions:

The Trade Centre Limited rents significant office tower space to departments and agencies of the Province of Nova Scotia.

For the year ended March 31, 1998, rental revenue and tenant recoveries included $1,601,689 (1997 - $1,410,113) received from departments and agencies of the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

PROVINCE OF NOVA SCOTIA

TRANSPORTATION TRUST FUND

Continuity of Transportation Trust Fund

for the year ended March 31, 1998

		1998		1997
Balance, beginning of year	$	---	$	---
Add: Revenue collected during year		36,000,203.62		35,580,721.59
		36,000,203.62		35,580,721.59
Deduct: Refund of Payments		696,819.70		332,468.12
Department of Transportation and Communications Expenditures (Schedule 1)		35,303,383.92		35,248,253.47
		36,000,203.62		35,580,721.59
Balance - end of year	$	---	$	---

Schedule 1

PROVINCE OF NOVA SCOTIA

TRANSPORTATION TRUST FUND

Transportation Trust Fund Expenditures

for the year ended March 31, 1998

Highway	1998	1997
101	$ 570,000.00	$ 133,479.43
102	1,289,900.00	1,440,888.73
103	4,355,700.00	877,363.63
104	24,816,000.00	26,166,299.93
105	463,603.62	2,576,938.09
106	—	385,310.06
107	2,620,000.00	2,102,749.44
111	—	56,425.19
118	740,000.00	950,120.60
125	1,145,000.00	558,678.37
Total Expenditure	$ 36,000,203.62	$ 35,248,253.47

AUDITOR'S REPORT

To the Shareholder of the
Upper Clements Family Theme Park Limited

I have audited the balance sheet of Upper Clements Family Theme Park Limited as at March 31, 1998 and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1998, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
July 3, 1998

PROVINCE OF NOVA SCOTIA

UPPER CLEMENTS FAMILY THEME PARK LIMITED

Balance Sheet

as at March 31, 1998

	1998	1997
ASSETS		
Current		
Cash	$ 6,435	$ 3,105
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 1,501	$ 974
Current portion of long-term liability	1,640	3,817
	3,141	4,791
Long-term		
Disability benefits (Note 2)	28,446	38,739
Equity		
Capital stock	1	1
Contributed surplus	5,667,174	5,667,174
Deficit	(5,692,327)	(5,707,600)
	(25,152)	(40,425)
	$ 6,435	$ 3,105

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

UPPER CLEMENTS FAMILY THEME PARK LIMITED

Statement of Income and Deficit

for the year ended March 31, 1998

	1998	1997
Revenue		
Contributions from the Province (Note 3)	$ 68,956	$ 11,142
Expenses		
Legal settlement (Note 4)	15,000	---
Professional fees	2,889	---
WCB and LTD benefits (Note 2)	44,257	7,876
Dues and fees	85	85
Miscellaneous	65	60
	62,296	8,021
Less: Adjustment to disability benefits (Note 2)	(8,613)	(28,641)
	53,683	(20,620)
Net Income	15,273	31,762
Deficit, beginning of year	(5,707,600)	(5,739,362)
Deficit, end of year	$ (5,692,327)	$ (5,707,600)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

UPPER CLEMENTS FAMILY THEME PARK LIMITED

Notes to Financial Statements

March 31, 1998

1. Authority

The Upper Clements Family Theme Park Limited was created by Order-in-Council #88-17 for the purpose of assisting in the establishment and operation of a family theme park. On April 6, 1994 the Company transferred all of its fixed assets to its shareholder, the Province of Nova Scotia.

The Province has subsequently entered into leasing arrangements with third parties to continue the operations of the park, the latest effective February 1, 1997 to January 31, 2007. Revenue and costs associated with the lease arrangements are included in the accounts of the Province.

The Company's affairs are being managed by staff of the Department of Economic Development and Tourism, and it is not actively involved in the operation of the family theme park.

2 WCB and LTD Benefits

The Company accounts for the estimated long-term liability associated with workers' compensation (WCB) and long-term disability (LTD) benefits of former employees. An adjustment to disability benefits occurs when changes are made to the assumptions used to estimate the long-term liability.

During the year, two long-term disability claims were paid out.

3 Contributions from the Province of Nova Scotia

The Company is economically dependent on contributions from the Province of Nova Scotia to continue operating. The extent to which this assistance will be received in the future has not been determined.

4. Legal Settlement

During the year an amount was paid to settle a legal action that had been commenced by an individual for injuries incurred at the park in a prior period when it was operated by the Company.

5. Statement of Changes in Financial Position

A statement of changes in financial position is not provided since disclosure in the balance sheet and income statement is considered adequate.

PROVINCE OF NOVA SCOTIA

VICTIMS' ASSISTANCE FUND

Balance Sheet

as at March 31, 1998

ASSETS

	1998	1997
Cash	$ 62,196.44	$ 371,002.97
Investments	1,261,400.00	1,142,341.84
	$ 1,323,596.44	$ 1,513,344.81

LIABILITIES

	1998	1997
Fund	$ 1,323,596.44	$ 1,513,344.81

Continuity of Fund

for the year ended March 31, 1998

	1998	1997
Balance, beginning of year	$ 1,513,344.81	$ 2,273,871.00
Receipts:		
Investment income	35,805.38	73,824.93
Bank interest	12,605.15	6,462.57
Fine surcharge revenue	654,242.95	765,160.33
	702,653.48	845,447.83
Disbursements	892,401.85	1,605,974.02
Balance, end of year	$ 1,323,596.44	$ 1,513,344.81

PROVINCE OF NOVA SCOTIA

VICTIMS' ASSISTANCE FUND

Note to the Financial Statements

March 31, 1998

Investments at March 31, 1998 consisted of the following:

$443,361.72 Royal Bank Term Deposit 4.5900% January 16, 1998 to April 16, 1998	$	438,400.00
$826,233.37 Bank of Nova Scotia Term Deposit 4.7800% March 18, 1998 to April 17, 1998		823,000.00
	$	1,261,400.00

AUDITORS' REPORT

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 1998, and the statements of earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND
Chartered Accountants

Halifax, Nova Scotia
May 6, 1998

PROVINCE OF NOVA SCOTIA

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Balance Sheet

March 31, 1998

	1998	1997
ASSETS		
Cash	$ ---	$ 16,828
Receivables - trade	61,233	82,769
Notes receivable (Note 3)	181,140	204,959
Prepaids	19,369	42,954
Real estate and development projects (Note 4)	22,011,271	18,546,758
Deferred pension cost	14,512	15,419
Deposits (Notes 9)	220,000	---
	$ 22,507,525	$ 18,909,687
LIABILITIES		
Bank indebtedness (Note 5)	$ 408,670	$ ---
Payables and accruals	2,484,465	234,267
Loan payable (Note 6)	6,000,000	5,900,000
	8,893,135	6,134,267
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	3	3
General Development Fund (Note 8)	2,365,000	1,535,000
Contributed surplus	13,747,826	13,747,826
Deficit	(2,498,439)	(2,507,409)
	13,614,390	12,775,420
	$ 22,507,525	$ 18,909,687

Commitments (Note 9)
Subsequent event (Note 11)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Earnings and Deficit

year ended March 31, 1998

	1998	1997
Revenue		
Rents	$ 1,854,661	$ 1,793,679
Recoveries	4,574	49,758
Interest income	11,592	10,934
Other income	5,392	46,177
	1,876,219	1,900,548
Property Expenses		
Property taxes	83,158	105,691
Operating	336,586	318,772
Depreciation and amortization	222,490	255,325
	642,234	679,788
Income before other items	1,233,985	1,220,760
Corporate expenses		
Directors fees and expenses	24,727	41,724
Doubtful accounts	44	3,410
Office operations	37,943	46,826
Professional fees - audit	7,700	6,875
- consultants	23,229	16,855
- legal	44,493	57,018
Salaries and benefits	272,604	266,163
Waterfront promotions and public relations	30,168	78,916
	440,908	517,787
Loan interest		
Expense	236,218	316,353
Contributions from the Province of Nova Scotia	(336,000)	(344,000)
	(99,782)	(27,647)
Depreciation on facilities for public access	73,889	72,802
	415,015	562,942
Net earnings from operations	818,970	657,818
Writedown in value of property	---	(269,162)
Gain on sale of property	20,000	9,716
	20,000	(259,446)
Net earnings	838,970	398,372
Transfer to General Development Fund (Note 8)	(830,000)	(380,000)
Transfer to Deficit	8,970	18,372
Deficit, beginning of year	(2,507,409)	(2,525,781)
Deficit, end of year	$ (2,498,439)	$ (2,507,409)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Changes in Financial Position

year ended March 31, 1998

	1998	1997
Cash derived from (applied to)		
Operating		
Net earnings	$ 838,970	$ 398,372
Depreciation and amortization	296,379	328,127
Gain on sale of property	(20,000)	(9,716)
Write down in value of property	---	269,162
	1,115,349	985,945
Change in non-cash operating working capital (Note 10)	2,076,226	(52,665)
	3,191,575	933,280
Financing		
Decrease (increase) in notes receivable, net	23,819	(197,886)
Increase in loan payable	100,000	500,000
	123,819	302,114
Investing		
Purchase of		
Equipment	(6,678)	(7,922)
Real estate and construction projects	(4,363,314)	(1,230,843)
Proceeds from sale of property	629,100	80,000
	(3,740,892)	(1,158,765)
Net (decrease) increase in cash	(425,498)	76,629
Cash, net of bank indebtedness		
Beginning of year	16,828	(59,801)
End of year	$ (408,670)	$ 16,828

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Notes to the Financial Statements

March 31, 1998

1. **Nature of Operations**

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. **Summary of Significant Accounting Policies**

Capitalization

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Government assistance

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of The Income Tax Act.

Depreciation

Building and equipment
Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease
The cost of the lease referred to in Note 4 is amortized over its term.

Development costs
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

3. Notes receivable

	1998	1997
Note receivable bearing interest at a variable rate, repayable in blended monthly payments of $451, matured August 1997	$ —	$ 2,050
Note receivable bearing interest at 7%, repayable in blended monthly payments of $1,185, maturing March 2002, secured by an assignment of land and building	49,649	60,000
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of $1,712, maturing June 2006. $75,000 of the principal amount has been guaranteed by a third party	131,491	142,909
	$ 181,140	$ 204,959

4. Real estate and development projects

	Cost	Accumulated Depreciation	1998 Net Book Value	1997 Net Book Value
Real estate and development projects	$ 26,431,773	$ 4,420,502	$ 22,011,271	$ 18,546,758

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

5. Credit facility

The bank indebtedness is a general operating line of credit to a maximum of $1,000,000 bearing interest at prime, less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

6. Loan payable

Demand loan bearing interest at approximately bank prime less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

7. Capital stock

	1998	1997
Authorized 5,000 shares without nominal or par value		
Issued: 3 shares	$ 3	$ 3

The shares are held in trust by representatives of the Province for the Queen in Right of the Province of Nova Scotia.

8. General Development Fund

The Board of Directors has established a fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

9. Commitments

(i) The Corporation has entered into a lease agreement for the Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

1999	$	6,500
2000		6,500
2001		6,500
2002		6,500
2003		6,500

(ii) The Corporation has a outstanding offer to purchase property currently owned by Public Works and Government Services Canada for a purchase price of $2,200,000. A refundable deposit of $220,000 has been made and is recorded in these financial statements.

10. Change in non-cash operating working capital

		1998		1997
Receivables	$	21,536	$	8,498
Prepaids		23,585		78,176
Payables and accruals		2,250,198		(123,920)
Purchase deposits		(220,000)		---
Deferred asset		907		(15,419)
	$	2,076,226	$	(52,665)

11. Subsequent event

The corporation entered into an agreement with Manufacturer's Life Insurance Company to purchase a property of $3,600,000. The closing is schedules for May 15, 1998.

12. Financial instruments

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

13. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required the payment costs for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 1996 and includes pension assets of $2,255,530,000, and pension liabilities of $2,105,620,000, resulting in a pension surplus of $149,910,000. This surplus has resulted in a pension holiday for its participants. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only three employees.